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Vol 1982
see Vol 1983

United States Circuit Court of Appeals

For the Ninth Circuit.

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

vs.

CECIL B. deMILLE PRODUCTIONS, INC.,
Respondent.

Transcript of the Record

In Three Volumes

VOLUME I

Pages 1 to 462

Upon Petition to Review an Order of the United States Board of Tax Appeals.

FILED
JUL 11 1936

Parker Printing Co., 545 Sansome Street, San Francisco 60—6-30-36

No. 8144

United States

Circuit Court of Appeals

For the Ninth Circuit.

COMMISSIONER OF INTERNAL REVENUE,
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CECIL B. deMILLE PRODUCTIONS, INC.,
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APPEARANCES:

For Petitioner:

THOMAS R. DEMPSEY, Esq.,
A. CALDER MACKAY, Esq.

For Respondent:

M. B. LEMING, Esq.,
J. H. MILLER, Esq.,
R. J. BOPP, Esq.,
WALTER W. KERR, Esq.

Docket No. 52996.

CECIL B. deMILLE PRODUCTIONS, INC.,
a corporation,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

DOCKET ENTRIES.

Transferred to Mr. Goodrich 12/10/34.

1931

Feb. 19—Petition received and filed. Taxpayer notified. (Fee paid).

Feb. 19—Copy of petition served on General Counsel.

Mar. 25—Answer filed by General Counsel.

Mar. 28—Copy of answer served on taxpayer—Circuit Calendar.

1933

Aug. 3—Hearing set for week of Sept. 25, 1933, Long Beach, California.

Oct. 2—Hearing had before Mr. Van Fossan on motion of petitioner to continue to Washington Calendar for hearing in December, 1933—granted.

Oct. 2—Order placing proceeding on General Calendar for hearing in Washington during the month of December, 1933, entered.

Oct. 16—Hearing set Dec. 13, 1933.

Oct. 16—Transcript of hearing of Oct. 2, 1933 filed.

Dec. 13-16, inc.—Hearing had before Mr. Goodrich, Division 11. Consolidated with 52995, 61290-91, 65122-23, 71951-52. Stipulation of facts to be filed Dec. 20, 1933. Amended petition filed—copy served. Petitioner's brief due 3/15/34—reply May 15, 1934—Commissioner's reply 4/15/34.

Dec. 20—Stipulation of facts filed.

Dec. 28—Transcript of hearing Dec. 13, 14, 15, 16, 1933 filed.

1934

Mar. 15—Brief filed by taxpayer—receipt acknowledged by General Counsel.

Apr. 13—Brief filed by General Counsel.

Apr. 23—Stipulation of facts filed.

May 14—Order enlarging time to May 25, 1934 for petitioner to file reply brief, entered.

May 25—Reply brief filed by taxpayer.

1935

Jan. 31—Findings of fact and opinion rendered—Mr. Goodrich, Division 11. Judgment will be entered under Rule 50.

Mar. 11—Motion for decision under Rule 50 filed by taxpayer. 3/13/35 copy served.

Mar. 12—Hearing set April 3, 1935 on settlement. 3/13/35 copy served. [1*]

Mar. 19—Notice of settlement filed by General Counsel. 3/20/35 copy served.

Apr. 1—Order of continuance to April 10, 1935 for hearing under Rule 50, entered.

Apr. 10—Hearing had before Mr. Black (Goodrich) on settlement, Rule 50—referred to Mr. Leech.

Apr. 16—Decision entered—Mr. Leech, Division 6.

July 1—Petition for review by U. S. Circuit Court of Appeals, 9th Circuit, with assignments of error filed by General Counsel.

July 15—Proof of service filed by General Counsel.

Aug. 21—Motion for extension to Nov. 27, 1935 to settle evidence and transmit record filed by General Counsel.

Aug. 21—Order enlarging time to Nov. 27, 1935 for preparation of evidence and delivery of record entered.

Nov. 22—Motion for extension to Feb. 26, 1936 to settle and transmit record filed by General Counsel.

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*Page numbering appearing at the foot of page of original certified Transcript of Record.

1935

Nov. 22—Order enlarging time to Feb. 26, 1935 for preparation of evidence and delivery of record, entered.

1936

Jan. 15—Statement of evidence, lodged.

Jan. 24—Notice of hearing on Feb. 12, 1936 to approve statement filed by General Counsel.

Jan. 24—Praecipe with proof of service thereon filed by General Counsel.

Feb. 3—Motion for extension to Feb. 25, 1936 to file objections, amendments, or counter statement filed by taxpayer. 2/4/36 granted and hearing continued to 2/26/36.

Feb. 21—Agreed statement of evidence approved and ordered filed.

Feb. 26—Order enlarging time to 3/27/36 to transmit and deliver record entered. [2]

APPEARANCES:

For Petitioner:

THOMAS R. DEMPSEY, Esq.,
A. C. MACKAY, Esq.

For Respondent:

M. B. LEMING, Esq.,
R. J. BOPP, Esq.,
J. H. MILLER, Esq.,
W. W. KERR, Esq.

Docket No. 61920

CECIL B. deMILLE PRODUCTIONS, INC.,
a Corporation,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

DOCKET ENTRIES.

Transferred to Mr. Goodrich 12/10/34.

1932

Jan. 12—Petition received and filed. Taxpayer notified. (Fee paid).

Jan. 12—Copy of petition served on General Counsel.

Feb. 24—Answer filed by General Counsel.

Mar. 8—Copy of answer served on taxpayer—assigned to Circuit Calendar.

1933

Aug. 3—Hearing set 9/25/33, Long Beach, California.

Oct. 2—Hearing had before E. H. Van Fossan on petitioner's motion to continue to Washington, D. C., in December, 1933—granted.

Oct. 2—Order placing on General Calendar for hearing in Dec., 1933, entered.

Oct. 16—Transcript of hearing of Oct. 2, 1933 filed.

Oct. 16—Hearing set Dec. 13, 1933.

1933

Dec. 13, 14, 15, 16—Hearing had before E. J. Goodrich, Division 11—submitted. Consolidated for hearing and report with 52995, 65122, 71951, 52996, 61291, 65123, 71952. Stipulation of facts to be filed by 12/20/33. Amended petition filed—copy served. Petitioner's brief due March 15, 1933—reply May 15—respondent's reply due April 15, 1934.

Dec. 20—Stipulation of facts filed.

Dec. 28—Transcripts (2) of hearing of Dec. 13, 14, 15, 16, 1933 filed.

1934

Mar. 15—Brief filed by taxpayer—receipt of copy acknowledged by General Counsel.

Apr. 13—Brief filed by General Counsel.

Apr. 23—Stipulation of facts filed.

May 14—Order that time for petitioner's reply brief be extended to May 25, 1934, entered.

May 25—Reply brief filed by taxpayer.

1935

Jan. 31—Findings of fact and opinion rendered—E. J. Goodrich, Division 11. Judgment will be entered under Rule 50.

Mar. 11—Motion for decision under Rule 50 filed by taxpayer.

Mar. 12—Hearing set April 3, 1935 under Rule 50.

Mar. 13—Copy of motion and hearing notice served. [3]

Mar. 19—Notice of settlement filed by General Counsel. 3/20/35 served.

1935

Apr. 1—Order continuing proceeding to Day Calendar of April 10, 1935, entered.

Apr. 10—Hearing had before Mr. Black (Goodrich) on settlement under Rule 50—referred to Mr. Leech for decision.

Apr. 15—Decision entered—J. R. Leech, Division 6.

July 1—Petition for review by U. S. Circuit Court of Appeals, 9th Circuit, with assignments of error filed by General Counsel.

July 15—Proof of service filed by General Counsel.

Aug. 21—Motion for extension to Nov. 27, 1935 to settle evidence and transmit record filed by General Counsel.

Aug. 21—Order enlarging time to Nov. 27, 1935 to prepare evidence and deliver record entered.

Nov. 22—Motion for extension to Feb. 26, 1936 to settle and transmit record filed by General Counsel.

Nov. 22—Order enlarging time to 2/26/36 to prepare evidence and transmit record entered.

1936

Jan. 15—Statement of evidence lodged.

Jan. 24—Notice of hearing on Feb. 12, 1936 to approve statement filed by General Counsel.

Jan. 24—Praecipe with proof of service thereon filed by General Counsel.

Feb. 3—Motion for extension to Feb. 25, 1936 to file objections, amendments, or counter statement filed by taxpayer. 2/4/36 granted and hearing continued to Feb. 26, 1936.

1936

Feb. 21—Agreed statement of evidence approved and ordered filed.

Feb. 26—Order that time for transmission and delivery of record be extended to March 27, 1936, entered. [4]

APPEARANCES.

For Petitioner:
THOMAS R. DEMPSEY, Esq.,
A. CALDER MACKAY, Esq.

For Respondent:
M. B. LEMING, Esq.,
J. H. MILLER, Esq.,
R. J. BOPP, Esq.,
WALTER W. KERR, Esq.

Docket No. 65123.

CECIL B. deMILLE PRODUCTIONS, INC., a Corporation,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

DOCKET ENTRIES.

Transferred to Mr. Goodrich 12/10/34.

1932

Apr. 27—Petition received and filed. Taxpayer notified. (Fee paid)

1932

Apr. 27—Copy of petition served on General Counsel.

June 10—Answer filed by General Counsel.

July 26—Copy of answer served on taxpayer—Circuit Calendar.

1933

Aug. 3—Hearing set 9/25/33 at Long Beach, California.

Oct. 2—Hearing had before Mr. Van Fossan, Division 9—petitioner moves to continue to Washington for hearing in Dec., 1933—motion granted.

Oct. 2—Order of continuance to Dec., 1933 at Washington, D. C., entered.

Oct. 16—Transcript of hearing Oct. 2, 1933 filed.

Oct. 16—Hearing set Dec. 13, 1933.

Dec. 13, 14, 15, 16—Hearing had before Mr. Goodrich, Division 11. Consolidated with 52995-96, 61290-91, 65122 and 71951-52. Stipulation of facts to be filed by Dec. 20, 1933. Amended petition filed—copy served. Petitioner's brief due 3/15/34—reply 5/15/34—Commissioner's reply April 15, 1934.

Dec. 20—Stipulation of facts filed.

Dec. 28—Transcript of hearing of Dec. 13, 14, 15 and 16, 1933 filed.

1934

Mar. 15—Brief filed by taxpayer. Receipt of copy acknowledged by General Counsel.

Apr. 13—Brief filed by General Counsel.

1934

Apr. 23—Stipulation of facts filed.

May 14—Order enlarging time to May 25, 1934 for petitioner to file reply brief, entered.

May 25—Reply brief filed by taxpayer.

1935

Jan. 31—Findings of fact and opinion rendered—Mr. Goodrich, Division 11. Judgment will be entered under Rule 50.

Mar. 11—Motion for decision under Rule 50 filed by taxpayer.

Mar. 12—Hearing set April 3, 1935 on settlement. [5]

Mar. 19—Notice of settlement filed by General Counsel. 3/20/35 copy served.

Apr. 1—Order to place on Calendar of April 10, 1935, under Rule 50, entered.

Apr. 10—Hearing had before Mr. Black (Goodrich) on settlement, Rule 50—referred to Mr. Leech.

Apr. 16—Decision entered—Mr. Leech, Division 6.

July 1—Petition for review by U. S. Circuit Court of Appeals (9) with assignments of error filed by General Counsel.

July 15—Proof of service filed by General Counsel.

Aug. 21—Motion for extension to 11/27/35 to complete and transmit record filed by General Counsel.

Aug. 21—Order enlarging time to Nov. 27, 1935 for preparation of evidence and delivery of record entered.

1935

Nov. 22—Motion for extension to Feb. 26, 1936 to settle and transmit record filed by General Counsel.

Nov. 22—Order enlarging time to Feb. 26, 1936 for preparation of evidence and delivery of record entered.

1936

Jan. 15—Statement of evidence lodged.

Jan. 24—Notice of lodgment of statement of evidence, with hearing set 2/12/26, filed.

Jan. 24—Praecipe filed—proof of service thereon.

Feb. 3—Motion for extension to Feb. 25, 1936 to file objections, amendments, or counter statement filed by taxpayer. 2/4/36 granted and continued to 2/26/36.

Feb. 21—Agreed statement of evidence approved and ordered filed.

Feb. 26—Order enlarging time to 3/27/36 for transmission and delivery of record entered.

[6]

United States Board of Tax Appeals.

Docket No. 52996.

CECIL B. deMILLE PRODUCTIONS, INC.,
a Corporation,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

PETITION.

The above named Petitioner hereby appeals from the determination of the Respondent set forth in his deficiency letter dated December 29, 1930, IT:E:Aj HR-13777-60D, and as the basis of this proceeding alleges as follows:

I.

Petitioner is a corporation duly organized and existing under and by virtue of the laws of the State of California, with its principal place of business at Los Angeles, California.

II.

The notice of deficiency, copy of which is attached hereto, marked "Exhibit A", was mailed to Petitioner on or about December 29, 1930.

III.

The taxes in controversy are income taxes for the years 1924, 1925 and 1926 and amount to the total sum of $856,076.53.

IV.

The determination of the taxes set forth in the notice of deficiency is based upon the following errors:

(1) The Respondent erred in increasing Petitioner's not taxable income for the year 1924 by the sum of $7,500.00 which the Respondent erroneously assumed was the profit derived from the sale of a three-fourths interest in certain real estate. [7]

(2) The Respondent erred in disallowing as deductions for the years 1924, 1925 and 1926, respectively, the sums of $52,240.16, $37,314.40 and $21,193.85, respectively, which sums represent depreciation or amortization of Petitioner's contract.

(3) The Respondent erred in disallowing as deductions for salaries paid during the years 1924, 1925 and 1926, respectively, the sums of $53,300.00, $38,900.00 and $36,400.00 respectively.

(4) The Respondent erred in disallowing as deductions for depreciation on its properties sustained during the years 1924, 1925 and 1926, respectively, the sums of $9,924.16, $5,975.18 and $5,695.77, respectively.

(5) The Respondent erred in disallowing as deductions for the maintenance and upkeep of its yacht for the years 1924, 1925 and 1926, respectively, the sums of $15,141.93, $18,196.83 and $33,975.85, respectively.

(6) The Respondent erred in disallowing as a deduction for the year 1924 the sum of $15,927.50

expended by Petitioner for services rendered by its lawyer.

(7) The Respondent erred in disallowing as deductions for miscellaneous expenditures made in connection with its business during the years 1924, 1925 and 1926, respectively, the sums of $2,552.87, $2,750.42 and $2,231.35, respectively.

(8) The Respondent erred in disallowing as deductions for the expenditures made by Petitioner in the upkeep and maintenance of its kitchen during the years 1925 and 1926, respectively, the sums of $2,314.02 and $2,712.20, respectively.

(9) The Respondent erred in disallowing as deductions for depreciation of Petitioner's properties during the years 1924, 1925 and 1926, respectively, the sums of $4,750.00, $4,818.69 and $4,874.50, respectively. [8]

(10) The Respondent erred in disallowing as a deduction for each of the years 1924, 1925 and 1926 the sum of $9,921.75 representing depreciation sustained on Petitioner's yacht.

(11) The Respondent erroneously and illegally increased Petitioner's net taxable income for the year 1925 by the sum of $116,850.00 which the Respondent erroneously assumed represented profit on the sale of stock.

(12) The Respondent erroneously and illegally increased Petitioner's net taxable income for the year 1926 by the sum of $50,000.00 which was reported by Petitioner in its amended income tax return for the said year and on which taxes were paid.

(13) The Respondent erroneously and illegally disallowed as a deduction for the year 1926 the sum of $500.00 which represents a debt ascertained by Petitioner to be worthless and charged off its books within said year.

(14) The Respondent erroneously and illegally determined that Petitioner's undistributed earnings for each of the years 1924, 1925 and 1926 were retained for the purpose of preventing the imposition of the surtaxes on Petitioner's stockholders contrary to the provisions of Sections 220 of the Revenue Acts of 1924 and 1926; the Respondent failed to hold said sections unconstitutional and void.

(15) The Respondent erred in failing to abide by the various provisions of the Revenue Acts relating to the time within which assessments of deficiencies may be made.

V.

The facts upon which Petitioner relies as the basis of this proceeding are as follows:

1. Petitioner was incorporated under the laws of the State of California on or about June 10, 1922 and ever since said time has been and [9] now is a corporation with its principal place of business at Los Angeles, California.

2. Petitioner was organized for the purpose, among others, of producing and distributing motion pictures, carrying on a real estate business, ranching, farming, and buying and selling stocks and bonds for profit, and at all times since its organization Petitioner has been actively engaged and

is now engaged in those pursuits which are authorized and permitted by its Articles of Incorporation.

3. Prior to the year 1924, Petitioner entered into an agreement to purchase approximately 90 acres of land located in the City of Los Angeles for a total consideration of $90,000.00, $30,000.00 of which was paid at the date of execution of the contract and a note for the balance of $60,000.00 was given. During the year 1924 Petitioner sold three-fourths of its interest in the contract to purchase the said 90 acres for which Petitioner received the sum of $30,000.00. This transaction did not result in gain to Petitioner during the year 1924, and the action of Respondent in increasing Petitioner's net taxable income by the sum of $7,500.00 was erroneous and illegal.

4. At the time of its organization Petitioner acquired, in exchange for 4,000 shares of its capital stock, the assets of Cecil B. deMille Productions, a copartnership; the value of the physical assets at the time they were acquired by Petitioner was at least $269,889.82 against which there was a liability of $17,500.00 which Petitioner assumed. In addition to the tangible assets, Petitioner acquired as part consideration for its stock certain intangible assets consisting of good will and a contract; the fair market value of the contract at the time acquired by Petitioner was not less than $149,257.59; Petitioner sustained depreciation or amortization on said contract during the years 1924, 1925 and 1926,

respectively, in the sums of [10] $52,240.16, $37,-314.40 and $21,193.85, respectively.

5. During the respective years of 1924, 1925 and 1926 Petitioner paid as salaries to three of its officers and employees for services rendered by them the sums of $53,300, $38,900.00 and $36,400.00, respectively. These salaries paid by Petitioner during these years were reasonable in amount in view of the benefit Petitioner derived in services rendered to it, and notwithstanding this fact, the Respondent erroneously and illegally disallowed as deductions these respective sums.

6. Petitioner expended in the maintenance and operation of its residential properties, during the years 1924, 1925 and 1926, respectively, the sums of $9,924.16, $5,975.18 and $5,695.77, respectively. These sums represent ordinary and necessary expenditures within the meaning of the provisions of the applicable Revenue Acts. Notwithstanding these facts, the Respondent erroneously and illegally disallowed these respective sums as deductions.

7. During the year 1922 Petitioner acquired for use in its business a yacht for the total sum of $66,145.03. Petitioner expended in the maintenance and operation of its yacht during the years 1924, 1925 and 1926, respectively, the sums of $15,141.93, $18,196.83 and $33,975.85, respectively, all of which constitute ordinary and necessary expenses within the meaning of the provisions of the applicable Revenue Acts and which the Respondent erroneously and illegally refused to allow as deductions.

8. Petitioner, during the year 1924, expended for services rendered to it by its lawyer the sum of $15,927.50 which constitutes an allowable deduction within the meaning of the provisions of the Revenue Act of 1924. The Respondent's action in disallowing this deduction was erroneous and illegal.

9. Petitioner, during the respective years of 1924, 1925 and 1926, [11] made miscellaneous expenditures in the conduct of its business in the total sums of $2,552.87, $2,750.42 and $2,231.33, respectively, which the Respondent erroneously and illegally disallowed as deductions; these expenditures constitute ordinary and necessary expenses within the meaning of the provisions of the Revenue Acts of 1924 and 1926.

10. During the years 1924, 1925 and 1926 Petitioner was the owner of certain buildings on which it sustained depreciation during the years 1924, 1925 and 1926, respectively, in the sums of $4,750.00, $4,818.69 and $4,874.50, respectively. These depreciation charges constitute allowable deductions within the meaning of the provisions of the Revenue Acts of 1924 and 1926, and the action of the Respondent in disallowing them was erroneous and illegal.

11. During each of the years 1924, 1925 and 1926 Petitioner sustained depreciation on its yacht in the sum of $9,921.75 which the Respondent erroneously and illegally disallowed as deductions. Petitioner computed annual depreciation on its yacht at the rate of 15% of its cost which is a reasonable rate and the full amounts claimed by Petitioner rep-

resent allowable deductions within the meaning of the provisions of the applicable Revenue Acts.

12. The Respondent erroneously and illegally increased Petitioner's net taxable income for the year 1925 by the sum of $116,850.00. Petitioner, in exchange for certain of its assets, acquired, during the early part of the year 1925, all of the capital stock of Cecil B. deMille Pictures Corporation amounting to 1,000 shares; thereafter and during the year 1925, Petitioner, in exchange for the 1,000 shares of stock of Cecil B. deMille Pictures Corporation and the sum of $40,000.00, acquired one-half (100,000 shares) of the common stock and 7474 shares of the preferred stock of the Cinema Corporation of America; and in addition to this, Petitioner agreed to and did return to the Cinema Corporation of America 50,000 shares of common stock of the Cinema [12] Corporation of America which was held by it as treasury stock. The acquisition by Petitioner, during the year 1925, of the common and preferred stock of Cinema Corporation of America in the manner and for the considerations hereinabove stated constituted a transaction resulting in neither gain nor loss to Petitioner; said transaction constituted a reorganization within the meaning of the provisions of Section 203 of the Revenue Act of 1924.

13. During the years 1925 and 1926 Petitioner maintained at its place of business a kitchen for which it expended in the maintenance and operation thereof the sums of $2,314.02 and $2,712.20, respect-

ively. Petitioner maintained this kitchen in order to provide eating facilities for the officers of Petitioner as well as for actors and actresses connected with Petitioner's business and those business men with whom Petitioner did business; at no time during the years 1925 or 1926 was there an appropriate eating place near Petitioner's studio; furthermore, Petitioner's officers, actors and actresses were able, through the maintenance of the kitchen, to carry on business transactions during luncheon hours. Petitioner's officers and the actors and actresses working for Petitioner, as well as business associates and those interested in the pictures produced by Petitioner, often remained at the studio late at night and during these times it became necessary for Petitioner to maintain an appropriate eating place; notwithstanding the fact that the kitchen was maintained by Petitioner as a business necessity, the Respondent erroneously and illegally disallowed as deductions the foregoing amounts expended by Petitioner in the maintenance and upkeep thereof.

14. Petitioner, in its original income tax return for the year 1926, erroneously took as a deduction for a loss sustained the sum of $50,000.00; thereafter Petitioner filed an amended income tax return wherein it restored to Petitioner's net taxable income the said $50,000.00 and paid tax thereon. [13] Notwithstanding these facts, the Respondent erroneously and illegally increased Petitioner's net taxable income by the sum of $50,000.00.

15. During the year 1926, Petitioner ascertained to be worthless and charged off a bad debt in the sum of $500.00 owed to it by Otto Pusch for moneys advanced by Petitioner during prior years. This sum constitutes a deduction within the meaning of the provisions of the Revenue Act of 1926, and the action of the Respondent in disallowing same was erroneous and illegal.

16-a. Petitioner's undistributed earnings for the years 1924, 1925 and 1926 were retained for the purpose of protecting Petitioner's investments and for the purpose of enabling it to pursue its legitimate and authorized pursuits. No part of these earnings were retained for the purpose of preventing the imposition of surtaxes upon Petitioner's stockholders. Petitioner was organized for the purpose, among others, of producing and distributing motion pictures. The production and distribution of motion pictures requires very large sums of money. Many pictures which have been produced by Petitioner have cost approximately $1,000,000.00 each and some of them have cost far in excess of this amount. Petitioner, during the years herein involved, had contracts for the production of motion pictures which were of short duration and which were subject to termination on rather short notice. Disputes over the performance of these contracts and particularly with respect to production costs arose to such an extent that Petitioner was compelled to and did take steps to acquire studio and other facilities for the purpose of producing motion piictures independently of other firms and corporations. Petitioner's

contractual relations with those for whom Petitoner was producing pictures were such at all times during the years 1924, 1925 and 1926 that the distribution of Petitioner's earnings would have so weakened Petitioner's financial position as to have jeopardized its very existence. In addition to [14] the requirements for motion picture production, Petitioner needed in its business very substantial sums of money for the purpose of carrying on its other activities and particularly those relating to the purchase, development and sale of real estate.

At no time during the years herein involved was Petitioner's surplus unreasonably large for the needs of its business; in fact its retained earnings were insufficient to carry on Petitioner's business in the manner contemplated by its officers. Petitioner was not created, nor was it availed of at any time during the years herein involved for the purpose of preventing the imposition of the surtax upon its stockholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, consequently the action of Respondent in determining that the retention of Petitioner's earnings for the years 1924, 1925 and 1926 was in violation of Sections 220 of the Revenue Acts of 1924 and 1926 was arbitrary, erroneous and illegal.

16-b. Petitioner alleges that it did not violate the provisions of Sections 220 of the Revenue Acts of 1924 and/or 1926 by retaining its earnings derived by it during any of the years 1924, 1925 and 1926, but in the event that this Board should sus-

tain the Respondent in his determination that the provisions of Section 220 of either the Revenue Act of 1924 or the Revenue Act of 1926 should apply to Petitioner, then Petitioner alleges that the provisions of Section 220 of the Revenue Acts of 1924 and 1926 imposing the tax and/or obligation proposed in the said deficiency letter are so arbitrary and capricious as to amount to confiscation and thus offend the spirit and letter of the Fifth Amendment to the Constitution of the United States of America; furthermore, Petitioner alleges that the provisions of Sections 220 of the Revenue Acts of 1924 and 1926 impose [15] upon Petitioner an unconscionable tax or penalty and that neither the tax nor the penalty is warranted or authorized by the Sixteenth Amendment to the Constitution of the United States of America, nor is the tax or penalty authorized by any other provision of said Constitution.

17. Petitioner is informed and believes and therefore alleges that the time within which assessment might be proposed for the years herein involved expired prior to the date the said deficiency letter was mailed to Petitioner.

WHEREFORE, Petitioner prays that the Board hear and determine this appeal and render judgment in accordance with the foregoing.

THOMAS R. DEMPSEY
A. CALDER MACKAY
Attorneys for Petitioner
508 Security Building
Los Angeles, California. [16]

State of California
County of Los Angeles—ss.

Cecil B. deMille, being first duly sworn, deposes and says: That he is an officer, to-wit, President of CECIL B. deMILLE PRODUCTIONS, INC., the above named Petitioner, and makes this verification for and on behalf of said corporation; that he has read the foregoing petition and knows the contents thereof and that the same is true of his own knowledge, except the matters which are therein stated upon information and belief and that as to those matters he believes it to be true.

(Signed) CECIL B. deMILLE

Subscribed and sworn to before me this 13th day of February, 1931.

[Seal] (Signed) GLADYS ROSSON
Notary Public in and for said County and State.

My Commission Expires June 12, 1931. [17]

"EXHIBIT A" NP-2-26

TREASURY DEPARTMENT
Washington

Office of
Commissioner of Internal Revenue
Address Reply to
Commissioner of Internal Revenue
And Refer to Dec. 29, 1930
Cecil B. deMille Productions, Inc.,
c/o Metro-Goldwyn-Mayer Studios,
Culver City, California.

Sirs:

You are advised that the determination of your tax liability for the years 1924, 1925 and 1926 discloses a deficiency of $856,076.53, as shown in the statement attached.

In accordance with section 274 of the Revenue Act of 1926, notice is hereby given of the deficiency mentioned. Within sixty days (not counting Sunday as the sixtieth day) from the date of the mailing of this letter, you may petition the United States Board of Tax Appeals for a redetermination of your tax liability.

HOWEVER, IF YOU DO NOT DESIRE TO PETITION, you are requested to execute the enclosed agreement form and forward it to the Commissioner of Internal Revenue, Washington, D. C., for the attention of IT:C:P-7. The signing of this agreement will expedite the closing of your returns by permitting an early assessment of any deficiency

and preventing the accumulation of interest charges, since the interest period terminates thirty days after filing the enclosed agreement, or on the date assessment is made, whichever is earlier; WHEREAS IF NO AGREEMENT IS FILED, interest will accumulate to the date of assessment of the deficiency.

Respectfully,
DAVID BURNET,
Commissioner.

By (Signed) J. C. WILMER
Deputy Commissioner.

Enclosures:
Statement
Form 882
Form 870 [18]

STATEMENT.

IT:E:Aj
HR-13777-60D

In re: Cecil B. deMille Productions, Inc.,
c/o Metro-Goldwyn-Mayer Studios,
Culver City, California.

Year	Deficiency in Tax
1924 (Consent)	$157,599.66
1925 (Consent)	363,605.62
1926 (Consent)	334,871.25
Total	$856,076.53

Reference is made to the report of the revenue agent who examined your books of account and records for the years 1924 to 1926, inclusive.

After careful review and consideration the Bureau holds that the findings of the examining officer are correct.

Based on the evidence in the file in the case, the Bureau holds that you are subject to the 50% tax under the provisions of Section 220 of the Revenue Acts of 1924 and 1926.

1924

Net income reported on return		$102,457.47
Add:		
1. Profit on sale of capital assets	$ 7,500.00	
2. Amortization of contract disallowed	52,240.16	
3. Expense item treated as dividends paid	96,846.46	
4. Depreciation disallowed	14,671.75	
5. Additional dividends received	5,075.00	176,333.37
		$278,790.84
Deduct:		
6. Dividends received, Item 5 above	$ 5,075.00	
7. Partnership losses allowed	9,064.43	14,139.43
Net income adjusted		$264,651.41

[19]

EXPLANATION OF CHANGES.

1. Profit derived from sale of three-fourths interest in equity in George W. Derby property (real estate Trust 90).

2. Amortization claimed on account of Famous Players Lasky contract unsubstantiated.

3. This item represents the disallowance of certain claimed expenditures which are treated as distributions of profit to Mr. Cecil B. deMille. The same item is included in the returns for all years 1924 to 1928, inclusive, and the following summary covers such disbursements for each of those years:

	1924	1925	1926	1927	1928
a. Mrs. C. A. deM.	$24,700.00	$36,400.00	$36,400.00	$43,900.00	$44,200.00
b. Mrs. E. K. Adams	15,600.00	—	—	—	—
c. Julia Faye	13,000.00	2,500.00	—	—	—
d. Residence	9,924.16	5,975.18	5,695.77	9,292.75	4,437.94
e. Yacht	15,141.93	18,196.83	33,975.85	21,371.26	22,197.28
f. Legal	15,927.50	—	—	—	—
g. Kitchen	—	2,314.02	2,712.20	2,571.92	2,707.04
h. Miscellaneous	2,552.87	2,750.42	2,231.33	2,830.00	6,094.75
Totals	$96,846.46	$68,136.45	$81,015.15	$79,965.93	$79,637.01

Items a, b and c were reported as salaries paid and are disallowed as not being paid for services rendered.

Items d and e represent excess "carrying charges" on Laughlin Park and Yacht "Seaward" and are treated as additional distributions of profit or dividends to Mr. Cecil B. deMille.

Item f. Payments to Mr. Neil S. McCarthy reported as representing additional compensation on account of prior year services held to represent additional distributions to Mr. deMille.

Items g and h. Additional miscellaneous disbursements considered as distributions of profit to Mr. deMille.

4. Depreciation disallowed. The depreciation charged off on the following assets for the years

1924 to 1928, inclusive, has been disallowed on account of the property not being used in taxpayer's trade or business in accordance with Article 201. Regulations 74: [20]

	1924	1925	1926	1927	1928
Laughlin Park. (Mr. deMille's residence)	$ 4,750.00	$ 4,818.69	$ 4,874.50	$5,294.18	$5,298.90
Yacht "Seaward" (Mr. deMille's yacht)	9,921.75	9,921.75	9,916.78	—	2,629.84
Totals	$14,671.75	$14,740.44	$14,791.28	$5,294.18	$7,928.74

5. Additional dividends received. Dividends received from the Los Angeles Speedway Association, $5,075.00, shown on your records as a liquidating dividend or a return of capital have been restored to income as liquidation did not take place until during the year 1928.

6. The item of dividends shown above deducted from corporate income for taxation purposes.

7. Loss from partnership. Distributive loss in real estate Trust #90, Bank of Italy, not previously claimed.

COMPUTATION OF TAX.

Net income adjusted		$264,651.41
Income tax at 12½%		33,081.43
Tax under Section 220, Revenue Act of 1924:		
Net income	$264,651.41	
Add:		
Dividends	9,999.41	
Taxable at 50%	$274,650.82	137,325.41
Total tax assessable		$170,406.84
Tax previously assessed		12,807.18
Deficiency in tax		$157,599.66

1925

Net income reported on return		$400,623.31
Add:		
1. Profit on sale of capital assets	$116,850.00	
2. Amortization of contract disallowed	37,314.40	
3. Dividends received	175.00	
4. Expense items treated as dividends paid	68,136.45	
5. Partnership income	8,473.92	
6. Depreciation disallowed	14,740.44	245,690.21
		$646,313.52
Deduct:		
7. Dividends received		175.00
Net income adjusted		$646,138.52

[21]

EXPLANATION OF CHANGES.

1. Profit from sale of assets computed as follows:

Proceeds of sale, 7,474 shares preferred stock of Cinema Corporation of America at $25.00 per share		$186,850.00
Cost of assets sold:		
Option on Thomas H. Ince Studio	$50,000.00	
Equipment	20,000.00	
Contracts	None	70,000.00
Profit on sales taxable in 1925		$116,850.00

2. Amortization claimed on account of Famous Players contract unsubstantiated.

3. and 7. Dividends received of $175.00. Same explanation as Item 5 for 1924.

4. Explained under Item 3 for 1924.

5. Distributive income in real estate Trust #90, Bank of Italy, omitted from return.

6. Explained under Item 4 for 1924.

COMPUTATION OF TAX.

Net income adjusted		$646,138.52
Income tax at 13%		83,998.01
Tax under Section 220 of the Revenue Act of 1924:		
Net income	$646,138.52	
Add:		
Dividends	17,238.76	
Taxable at 50%	$663,377.28	331,688.64
Total tax assessable		$415,686.65
Tax previously assessed		52,081.03
Deficiency in tax		$363,605.62

[22]

1926

Net income reported on return filed		$442,509.09
Add:		
1. Amortization contract disallowed	$21,193.85	
2. Expense deductions treated as dividends paid	81,015.15	
3. Partnership income	5,124.72	
4. Bad debts	50,500.00	
5. Depreciation disallowed	14,791.28	172,625.00
Net income adjusted		$615,134.09

EXPLANATION OF CHANGES.

1. Amortization claimed on account of Famous Players Lasky contract unsubstantial.

2. Explained under Item 3 in 1924.

3. Distributive income in real estate Trust #90, Bank of Italy, omitted from return.

4. Deduction for bad debts disallowed as follows:

Cinema stock loss eliminated on amended return	$50,000.00
Loan made to Joe Busch during 1922 charged off in 1926 held to represent a forgiveness of indebtedness	500.00
Total	$50,500.00

5. Explained under Item 4 in 1924.

COMPUTATION OF TAX.

Net income adjusted		$615,134.09
Income tax at 13½%		83,043.10
Tax under Section 220, Revenue Act of 1926:		
Net income	$615,134.09	
Add: Dividends	21,499.66	
Taxable at 50%	$636,633.75	318,316.88
Total tax assessable		$401,359.98
		[23]
Amount brought forward		$401,359.98
Tax previously assessed:		
Original return	$59,738.73	
Amended return	6,750.00	66,488.73
Deficiency in tax		$334,871.25

Payment should not be made until a bill is received from the Collector of Internal Revenue for your district, and remittance should then be made to him.

[Endorsed]: Filed Feb. 19, 1931. [24]

[Title of Court and Cause—Docket No. 52996.]

ANSWER.

Comes now the Commissioner of Internal Revenue, by his attorney, C. M. Charest, General Counsel, Bureau of Internal Revenue, and for answer to the petition filed herein, admits and denies as follows:

I. Admits the allegations of paragraph I of the petition.

II. Admits the allegations of paragraph II of the petition.

III. Admits the allegations of paragraph III of the petition.

IV. (1) to (15) incl. Denies that the respondent erred as alleged in subparagraphs (1) to (15) inclusive, of paragraph IV of the petition.

V. (1) to (17) incl. Denies the allegations contained in subparagraphs (1) to (17) inclusive, of paragraph V of the petition.

Denies each and every other allegation contained in the petition not hereinbefore specifically admitted, qualified or denied.

WHEREFORE, it is prayed that the Commissioner's determination be approved and that the petition be dismissed and the appeal denied.

(Signed) C. M. CHAREST
General Counsel,
Bureau of Internal Revenue.

Of Counsel:
A. H. FAST,
HAROLD D. THOMAS,
Special Attorneys,
Bureau of Internal Revenue.

[Endorsed]: Filed Mar. 25, 1931. [25]

[Title of Court and Cause—Docket No. 52996.]

AMENDMENT TO PETITION.

Comes now the Petitioner in the above entitled case and having first obtained leave of the Board files the following as an amendment to its petition heretofore filed herein:

Petitioner withdraws sub-paragraph 16-b under Paragraph V and substitutes the following in lieu thereof:

16-b. Petitioner alleges that it did not violate the provisions of Sections 220 of the Revenue Acts of 1924 and/or 1926 by retaining the earnings derived by it during any of the years 1924, 1925 and 1926, but in the event that this Board should sustain the Respondent in his determination that the provisions of Section 220 of either the Revenue Act of 1924 or the Revenue Act of 1926 should apply to Petitioner, then Petitioner alleges that the provisions of Sections 220 of the Revenue Acts of 1924 and 1926 imposing the tax and/or obligation proposed in the said deficiency letter are so arbitrary and capricious as to amount to confiscation and thus offend the spirit and letter of the Fifth Amendment to the Constitution of the United States of America.

Petitioner further alleges that the provisions of Section 220 of the Revenue Act of 1924 and Section 220 of the Revenue Act of 1926 violate the Tenth Amendment to the Coistitution of the United States in that said sections constitute attempts by Congress under the guise of tax to exercise power not delegated to the United States but one reserved to the States; that [26] the regulation of the affairs of corporations which are chartered by States is reserved to State legislatures; and that all discretion on the declarations of dividends has been committed to boards of directors by the California Legislature and responsibility and liability therefor have been fixed upon them.

Petitioner further alleges that the provisions of Section 220 of the Revenue Act of 1924 and Section

220 of the Revenue Act of 1926 impose upon Petitioner an unconscionable tax or penalty and that neither the tax nor the penalty is warranted or authorized by the Sixteenth Amendment to the Constitution of the United States of America, nor is the tax or penalty authorized by any other provision of said Constitution; furthermore, the provisions of Section 220 of the Revenue Act of 1924 and Section 220 of the Revenue Act of 1926 are contrary to the general and implied provisions of the United States Constitution in that they impose a penalty upon one taxpayer for the failure of another taxpayer to pay taxes not imposed; Petitioner further alleges that the said sections violate the spirit of the Constitution and particularly the Eighth Amendment thereof in that the penalty or tax imposed is excessive, cruel and unusual. The Respondent erroneously and illegally failed and neglected to hold the provisions of Section 220 of the Revenue Act of 1924 and Section 220 of the Revenue Act of 1926 unconstitutional and void.

THOMAS R. DEMPSEY
A. CALDER MACKAY
Attorneys for Petitioner,
1104 Pacific Mutual Building,
Los Angeles, California. [27]

State of California,
County of Los Angeles—ss.

CECIL B. DeMILLE, being first duly sworn, deposes and says: That he is an officer, to wit, PRESIDENT of CECIL B. DeMILLE PRODUCTIONS,

INC., the above named Petitioner, and makes this verification for and on behalf of said corporation; that he has read the foregoing Amendment to Petition and knows the contents thereof and that the same is true of his own knowledge, except the matters which are therein stated upon information and belief and that as to those matters he believes it to be true.

(Signed) CECIL B. DeMILLE

Subscribed and sworn to before me this ..... day of December, 1933.

.....,

Notary Public in and for said County and State.

[Endorsed]: Filed at hearing, Dec. 16, 1933. [28]

United States Board of Tax Appeals

Docket No. 65123.

CECIL B. DeMILLE PRODUCTIONS, INC., a corporation,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

PETITION.

The above named Petitioner hereby appeals from the determination of the Respondent set forth in his deficiency letter dated March 1, 1932, IT:E:Aj HR-13777-60D, and as the basis of this proceeding alleges as follows:

I.

Petitioner is a corporation duly organized and existing under and by virtue of the laws of the State of California, with its principal place of business at Los Angeles, California.

II.

The notice of deficiency, copy of which is attached hereto, marked "Exhibit A", was mailed to Petitioner on or about March 1, 1932.

III.

The taxes in controversy are income taxes for the year 1929 and amount to the sum of $104,423.60.

IV.

The determination of the taxes set forth in the notice of deficiency is based upon the following errors:

(a) The Respondent erred in disallowing as a deduction for salary paid to one of its officers during the year 1929 the sum of $44,200.00.

(b) The Respondent erred in disallowing as a deduction for the year 1929 the sum of $9,921.58 expended by Petitioner in the maintenance and [29] upkeep of its properties.

(c) The Respondent erred in disallowing as a deduction for the year 1929 the sum of $23,322.06 expended by Petitioner in the maintenance and upkeep of its yacht.

(d) The Respondent erred in disallowing as a deduction for the year 1929 the sum of $2,428.50 expended by Petitioner in the maintenance and upkeep of its kitchen.

(e) The Respondent erred in disallowing as a deduction for the year 1929 the sum of $1,323.60 expended by Petitioner in the maintenance and upkeep of its stallion.

(f) The Respondent erred in disallowing as a deduction for the year 1929 the sum of $388.00 representing taxes paid by Petitioner on its yacht.

(g) The Respondent erred in disallowing as a deduction for the year 1929 the sum of $6,643.84 representing depreciation sustained by Petitioner on its properties.

(h) The Respondent erred in disallowing as a deduction for the year 1929 the sum of $200.00 paid by Petitioner to the California Development Association.

(i) The Respondent erred in disallowing as a deduction for the year 1929 the sum of $1,000.00 expended by Petitioner as story prizes.

(j) The Respondent erroneously and illegally determined that Petitioner's undistributed earnings for the year 1929 were retained by it for the purpose of preventing the imposition of the surtax on Petitioner's stockholders contrary to the provisions of Section 104 of the Revenue Act of 1928; the Respondent erred in failing to hold that said section was unconstitutional and void. [30]

V.

The facts upon which Petitioner relies as the basis of this proceeding are as follows:

1. Petitioner was incorporated under the laws of the State of California on or about June 10, 1922 and ever since said time has been and now is a corporation with its principal place of business at Los Angeles, California.

2. Petitioner filed its income tax return for the year 1929 with the Collecter of Internal Revenue for the Sixth Collection District at Los Angeles, California.

3. Petitioner was organized for the purposes, among others, of producing and distributing motion pictures, carrying on a real estate business, ranching, farming and buying and selling stocks and bonds for profit, and at all times since its organization Petitioner has been actively engaged and is now engaged in those pursuits which are authorized and permitted by its Articles of Incorporation.

4. During the year 1929 Petitioner paid to one of its officers and directors for services rendered by such officer and director, the sum of $44,200.00. Notwithstanding the foregoing and the fact that the services rendered by said officer and director materially benefited Petitioner, the Respondent erroneously and illegally disallowed as a deduction the amount so paid.

5. During the year 1929 Petitioner expended in the maintenance and operation of its residential properties, the sum of $9,921.58. This sum represents an ordinary and necessary expenditure within the meaning of the provisions of the Revenue Act of 1928. Notwithstanding the foregoing, the Respondent erroneously and illegally disallowed this sum as a deduction.

6. During the year 1922 Petitioner acquired for use in its [31] business a yacht for the total sum of $66,154.03. Petitioner expended in the maintenance and operation of its yacht during the year 1929 the sum of $23,322.06. This sum and the whole thereof

constitutes an ordinary and necessary expense within the meaning of the provisions of the Revenue Act of 1928, and the action of the Respondent in disallowing the same as a deduction was erroneous and illegal.

7. During the year 1929 Petitioner maintained at its place of business a kitchen for which it expended in the maintenance and operation thereof the sum of $2,428.50. Petitioner maintained this kitchen in order to provide eating facilities for the officers of Petitioner as well as for actors and actresses connected with Petitioner's business and those business men with whom Petitioner did business; at no time during the year 1929 was there an appropriate eating place near Petitioner's studio; furthermore, Petitioner's officers, actors and actresses were able through the maintenance of the kitchen, to carry on business transactions during luncheon hours. Petitioner's officers and the actors and actresses working for Petitioner, as well as business associates and those interested in the pictures produced by Petitioner, often remained at the studio late at night and during these times it became necessary for Petitioner to maintain an appropriate eating place; notwithstanding the fact that the kitchen was maintained by Petitioner as a business necessity, the Respondent erroneously and illegally disallowed as a deduction the foregoing amount expended by Petitioner in the maintenance and operation thereof.

8. During the year 1929 Petitioner expended in the maintenance and upkeep of its stallion the sum of $1,323.60. Notwithstanding the foregoing, the

Respondent erroneously and illegally disallowed the same as a deduction.

9. During the year 1929 Petitioner paid the sum of $388.00 which [32] represented taxes assessed by the State of California on Petitioner's yacht, consequently the action of the Respondent in disallowing this sum as a deduction was erroneous and illegal.

10. During the year 1929 Petitioner was the owner of certain buildings on which it sustained depreciation in the sum of $5,302.87; Petitioner also sustained depreciation on its stallion during the year 1929 in the sum of $950.00; during said year Petitioner also sustained depreciation in the sum of $390.97 on its yacht fixtures and tools. The foregoing depreciation charges constitute allowable deductions within the meaning of the provisions of the Revenue Act of 1928 and the action of the Respondent in disallowing them was erroneous and illegal.

11. During the year 1929 Petitioner paid to the California Development Association the sum of $200.00 which was paid by Petitioner in the belief and hope that Petitioner would derive an indirect benefit therefrom. The action of the Respondent in disallowing the same as a deduction was erroneous and illegal.

12. During the year 1929 Petitioner paid out the sum of $1,000.00 in story prizes which Petitioner alleges represents an ordinary and necessary expense in the conduct of its business, consequently the action of the Respondent in disallowing the same as a deduction was erroneous and illegal.

13-a. Petitioner's undistributed earnings for the year 1929 were retained for the purpose of protecting Petitioner's investments and for the purpose of enabling it to pursue its legitimate and authorized pursuits. No part of these earnings was retained for the purpose of preventing the imposition of surtaxes upon Petitioner's stockholders. Petitioner was organized for the purpose, among others, of producing and distributing motion pictures which requires very large sums of money. Many pictures which have been [33] produced by Petitioner have cost approximately $1,000,000.00 each and some of them have cost far in excess of this amount. The production of motion pictures has been and now is a rather hazardous business enterprise, the stability of which is constantly being affected by changes and improvements. The advent of sound pictures revolutionized the industry. These and other improvements that are constantly confronting the motion picture industry make it necessary for producers to maintain large sums of working capital. In addition to the requirements for motion picture production Petitioner needed in its business substantial sums of money for the purpose of carrying on its other activities, particularly those relating to the purchase, improvement and sale of real estate. The distribution of Petitioner's earnings for the year 1929 would have so weakened Petitioner's financial position as to have jeopardized its very existence.

At no time during the year herein involved was Petitioner's surplus unreasonably large for the needs of its business, in fact its retained earnings

were insufficient to carry on Petitioner's business in the manner contemplated by its officers. Petitioner was not created nor was it availed of at any time during the year herein involved for the purpose of preventing the imposition of the surtax upon its stockholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, consequently the action of the Respondent in determining that the retention of Petitioner's earnings for the year 1929 was in violation of Section 104 of the Revenue Act of 1928 was arbitrary, erroneous and illegal.

11-b. Petitioner alleges that it did not violate the provisions of Section 104 of the Revenue Act of 1928 by retaining the earnings derived by it during the year 1929, but in the event that this Board should sustain [34] the Respondent in his determination that the provisions of Section 104 of the Revenue Act of 1928 should apply to Petitioner, then Petitioner alleges that the provisions of Section 104 of the Revenue Act of 1928 imposing the tax and/or obligation proposed in the said deficiency letter are so arbitrary and capricious as to amount to confiscation and thus offend the spirit and letter of the Fifth Amendment to the Constitution of the United States of America; furthermore Petitioner alleges that the provisions of Section 104 of the Revenue Act of 1928 impose upon Petitioner an unconscionable tax or penalty and that neither the tax nor the penalty is warranted or authorized by the Sixteenth Amendment to the Constitution of the United States of America, nor is the tax or penalty author-

ized by any other provision of said Constitution. The Respondent erroneously and illegally failed and neglected to hold the provisions of Section 104 of the Revenue Act of 1928 unconstitutional and void.

WHEREFORE, Petitioner prays that the Board hear and determine this appeal and render judgment in accordance with the foregoing. Petitioner prays for such other and further relief as may be deemed meet and proper in the premises.

THOMAS R. DEMPSEY
A. CALDER MACKAY
Attorneys for Petitioner,
1104 Pacific Mutual Bldg.,
Los Angeles, California. [35]

State of California,
County of Los Angeles—ss.

CECIL B. deMILLE, being first duly sworn, deposes and says: That he is an officer, to-wit, President of CECIL B. deMILLE PRODUCTIONS, INC., the above named Petitioner, and makes this verification for and on behalf of said corporation; that he has read the foregoing Petition and is familiar with the statements contained therein and that the same are true as he verily believes.

(Signed) CECIL B. deMILLE.

Subscribed and sworn to before me this 21 day of April, 1932.

[Seal] (Signed) GLADYS ROSSON,
Notary Public in and for said County and State.

My Commission expires June 12, 1935. [36]

NP-2-28

"EXHIBIT A"

TREASURY DEPARTMENT
Washington

Office of
Commissioner of Internal Revenue Mar 1, 1932.

Cecil B. de Mille Productions, Incorporated,
c/o Dempsey & Mackay,
Pacific Mutual Building,
Los Angeles, California.

Sirs:

You are advised that the determination of your tax liability for the year 1929 discloses a deficiency of $104,423.60, tax as shown in the statement attached.

In accordance with section 272 of the Revenue Act of 1928, notice is hereby given of the deficiency mentioned. Within sixty days (not counting Sunday as the sixtieth day) from the date of the mailing of this letter, you may petition the United States Board of Tax Appeals for a redetermination of your tax liability.

HOWEVER, IF YOU DO NOT DESIRE TO PETITION, you are requested to execute the enclosed agreement form and forward it to the Commissioner of Internal Revenue, Washington, D. C., for the attention of IT:C:P-7. The signing of this agreement will expedite the closing of your return by permitting an early assessment of any deficiency and preventing the accumulation of interest charges, since the interest period terminates thirty days after filing the enclosed agreement, or on the date assessment is made, whichever is earlier; WHEREAS IF

NO AGREEMENT IS FILED, interest will accumulate to the date of assessment of the deficiency.

Respectfully,
DAVID BURNET,
Commissioner.
(Signed) By J. C. WILMER
Deputy Commissioner.

Enclosures:
Statement
Form 882
Form 870 [37]

STATEMENT.

IT:E:Aj
HR-13777-60D

In re: Cecil B. de Mille Productions, Inc.,
c/o Dempsey and Mackay,
Pacific Mutual Building,
Los Angeles, California.

Year—1929.
Tax Liability—$109,843.97.
Tax Assessed—$5,420.37.
Deficiency—$104,423.60.

Reference is made to the report of the revenue agent who examined your books of account and records for the year 1929. After careful review and consideration, the Bureau holds that the findings of the examining officer are correct.

Based on the evidence in the file in the case, the Bureau holds that you are subject to the 50% tax under the provisions of Section 104 of the Revenue Act of 1928.

Net income reported on return		$ 49,276.09
Add:		
1. Expense deductions treated as distribution of profits	$82,971.23	
2. Depreciation disallowed	6,643.84	
3. Depletion disallowed	769.61	
4. Miscellaneous expenses disallowed	1,767.01	92,151.69
		$141,427.78
Deduct:		
5. Profit on sale of stock reduced	$ 3,733.39	
6. Los Angeles Speedway Company liquidation dividend	923.41	
7. Amortization of cost of royalty interest	325.00	4,981.80
Net income adjusted		$136,445.98

EXPLANATION OF CHANGES.

1. This item represents the disallowance of certain claimed expenditures which are treated as distributions of profit to Mr. Cecil B. de Mille. The expenses constituting the amount of $82,971.23 are as follows: [38]

a. Salary paid to Mrs. Constance A. de Mille	$44,200.00
b. Residence, Laughlin Park	9,921.58
c. Yacht	23,322.06
d. Kitchen	2,428.50
e. Show horse	2,052.09
f. Miscellaneous expenses	1,047.00
	$82,971.23

a. was reported as salary paid and is disallowed as not being paid for services rendered.

b. and c. represent excess carrying charges on Laughlin Park residence and Yacht "Seaward" and are treated as additional distribution of profit of dividend to Mr. Cecil B. de Mille.

d. and e. representing kitchen expense and show horse expense are considered as dividends in the form of distribution of profits to Mr. de Mille.

f. representing taxes paid on yacht $388.00, Hollywood Athletic Club dues $113.00, cigars $46.00 and depreciation to Dr. George R. Andrews $500.00 are considered as additional distribution of profit to Mr. de Mille.

2. Depreciation charged off on the following items for the year 1929 has been disallowed on account of the property not being used in the taxpayer's trade or business in accordance with Article 201, Regulations 74:

Laughlin Park, residence	$5,302.87
Show horse	950.00
Laughlin Park tools	45.00
Yacht fixtures	345.97
Total	$6,643.84

3. Pulliam Well depletion at 27½% disallowed. Amortization allowance in lieu of depletion allowed under Item 7.

4. Miscellaneous expenses disallowed as follows:

[Endorsed]: Filed April 27, 1932. [39]

[Title of Court and Cause—Docket No. 65123.]

ANSWER.

Comes now the Commissioner of Internal Revenue by his attorney, C. M. Charest, General Counsel, Bureau of Internal Revenue, and for answer to the petition filed herein, admits and denies as follows:

I. Admits the matter contained in paragraph I of the petition.

II. Admits that the notice of deficiency was mailed to the petitioner on March 1, 1932 and denies the remainder of paragraph II of the petition.

III. Admits the matter contained in paragraph III of the petition.

IV-(a) to (j) incl. Denies any knowledge or information sufficient to form a belief as to the truth of the matters contained in subparagraphs (a) to (j) inclusive, of paragraph IV of the petition.

V-1 to 12, incl. Denies the matters contained in subparagraphs 1 to 12 inclusive, of paragraph V of the petition.

V-13-a. Denies the matter contained in subparagraph 13-a of paragraph V of the petition.

V-11-b. Denies the matter contained in subparagraph 11-b of paragraph V of the petition.

Denies each and every other matter contained in the petition not hereinbefore specifically admitted, qualified or denied.

WHEREFORE, it is prayed that the Commissioner's determination be approved and that the petition be dismissed and the appeal denied.

C. M. CHAREST,
General Counsel,
Bureau of Internal Revenue.

Of Counsel:
A. H. FAST,
F. L. VAN HAAFTEN,
Special Attorneys,
Bureau of Internal Revenue.

[Endorsed]: Filed June 10, 1932. [40]

[Title of Court and Cause—Docket No. 65123.]

AMENDMENT TO PETITION.

Comes now the Petitioner in the above entitled case and having first obtained leave of the Board files the following as an amendment to its petition heretofore filed herein:

Petitioner withdraws subparagraph 11-b under Paragraph V and substitutes the following in lieu thereof:

11-b. Petitioner alleges that it did not violate the provisions of Section 104 of the Revenue Act of 1928 by retaining the earnings derived by it during the year 1929, but in the event that this Board should sustain the Respondent in his determination that the provisions of Section 104 of the Revenue Act of 1928 should apply to Petitioner, then Petitioner alleges that the provisions of Sec-

tion 104 of the Revenue Act of 1928 imposing the tax and/or obligation proposed in the said deficiency letter are so arbitrary and capricious as to amount to confiscation and thus offend the spirit and letter of the Fifth Amendment to the Constitution of the United States of America.

Petitioner further alleges that the provisions of Section 104 of the Revenue Act of 1928 violate the Tenth Amendment to the Constitution of the United States in that said section constitutes attempts by Congress under the guise of tax to exercise power not delegated to the United States but one reserved to the States; that the regulation of the affairs of corporations which [41] are chartered by States is reserved to State legislatures; and that all discretion on the declarations of dividends has been committed to boards of directors by the California Legislature and responsibility and liability therefor have been fixed upon them.

Petitioner further alleges that the provisions of Section 104 of the Revenue Act of 1928 impose upon Petitioner an unconscionable tax or penalty and that neither the tax nor the penalty is warranted or authorized by the Sixteenth Amendment to the Constitution of the United States of America, nor is the tax or penalty authorized by any other provision of said Constitution; furthermore, the provisions of Section 104 of the Revenue Act of 1928 are contrary to the general and implied provisions of the United States Constitution in that they impose a penalty upon one taxpayer for the failure of another taxpayer to pay taxes not im-

posed; Petitioner further alleges that the said section violates the spirit of the Constitution and particularly the Eighth Amendment thereof in that the penalty or tax imposed is excessive, cruel and unusual. The Respondent erroneously and illegally failed and neglected to hold the provisions of Section 104 of the Revenue Act of 1928 unconstitutional and void.

THOMAS R. DEMPSEY,
A. CALDER MACKAY,
Attorneys for Petitioner,
1104 Pacific Mutual Building,
Los Angeles, California. [42]

State of California
County of Los Angeles.—ss.

CECIL B. deMILLE, being first duly sworn, deposes and says: That he is an officer, to wit, President of CECIL B. deMILLE PRODUCTIONS, INC., the above named Petitioner, and makes this verification for and on behalf of said corporation; that he has read the foregoing amendment to petition and knows the contents thereof and that the same is true of his own knowledge, except the matters which are therein stated upon information and belief and that as to those matters he believes to be true.

CECIL B. deMILLE (Sgd.)

Subscribed and sworn to before me this ..... day of December, 1933.

.....

Notary Public in and for said
County and State.

[Endorsed]: Filed at hearing, Dec. 16, 1933. [43]

United States Board of Tax Appeals.

Docket No. 61290.

CECIL B. deMILLE PRODUCTIONS, INC.,
a Corporation,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

PETITION.

The above named Petitioner hereby appeals from the determination of the Respondent set forth in his deficiency letter dated November 17, 1931, IT:E: Aj HR-13777-60D, and as the basis of this proceeding alleges as follows:

I.

Petitioner is a corporation duly organized and existing under and by virtue of the laws of the State of California, with its principal place of business at Los Angeles, California.

II.

The notice of deficiency, copy of which is attached hereto, marked "Exhibit A", was mailed to Petitioner on or about November 17, 1931.

III.

The taxes in controversy are income taxes for the years 1927 and 1928 and amount to the total sum of $525,817.40.

IV.

The determination of the taxes set forth in the notice of deficiency is based upon the following errors:

(a) The Respondent erred in disallowing as deductions for salaries paid during the years 1927 and 1928, respectively, the sums of $43,900.00 and $44,200.00, respectively.

(b) The Respondent erred in disallowing as deductions for expenditures made by Petitioner in the upkeep and maintenance of its properties during the years 1927 and 1928, respectively, the sums of $9,292.75 and $4,437.94, respectively.

(c) The Respondent erred in disallowing as deductions for the maintenance and upkeep of Petitioner's yacht for the years 1927 and 1928, respectively, the sums of $21,371.26 and $22,197.28, respectively.

(d) The Respondent erred in disallowing as deductions for the expenditures made by Petitioner in the upkeep and maintenance of its kitchen during the years 1927 and 1928, respectively, the sums of $2,571.92 and $2,707.04, respectively.

(e) The Respondent erred in disallowing as deductions for miscellaneous expenditures made in connection with Petitioner's business during the years 1927 and 1928, respectively, the sums of $2,-830.00 and $6,094.75, respectively.

(f) The Respondent erred in disallowing as deductions for depreciation of Petitioner's properties sustained during the years 1927 and 1928, respectively, the sums of $5,294.18 and $5,298.90, respectively.

(g) The Respondent erred in disallowing as a deduction for the year 1928 the sum of $2,629.84 representing depreciation sustained during said year on Petitioner's yacht.

(i) The Respondent erred in disallowing as a deduction for the year 1928 the sum of $10,000.00 representing a loss sustained by Petitioner during said year.

(j) The Respondent erred in disallowing as a deduction for the year 1928 the sum of $6,147.46 representing debts ascertained to be worthless and charged off during said year.

(k) The Respondent erroneously and illegally determined that Petitioner's undistributed earnings for each of the years 1927 and 1928 were [45] retained by it for the purpose of preventing the imposition of the surtax on Petitioner's stockholders contrary to the provisions of Section 220 of the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928; the Respondent erred in failing to hold that said sections were unconstitutional and void.

(l) The Respondent erred in failing to abide by the various provisions of the Revenue Acts relating to the time within which assessments of deficiencies may be made.

V.

The facts upon which Petitioner relies as the basis of this proceeding are as follows:

1. Petitioner was incorporated under the laws of the State of California on or about June 10, 1922 and ever since said time has been and now is

a corporation with its principal place of business at Los Angeles, California.

2. Petitioner was organized for the purposes, among others, of producing and distributing motion pictures, carrying on a real estate business, ranching, farming and buying and selling stocks and bonds for profit, and at all times since its organization Petitioner has been actively engaged and is now engaged in those pursuits which are authorized and permitted by its Articles of Incorporation.

3. During the respective years of 1927 and 1928 Petitioner paid to one of its officers and directors, for services rendered by such officer and director, the sums of $43,900.00 and $44,200.00, respectively. These sums paid by Petitioner during these years were reasonable in amount in view of the benefit Petitioner derived in services rendered to it and notwithstanding this fact, the Respondent erroneously and illegally disallowed as deductions these respective sums.

4. Petitioner expended in the maintenance and operation of its residential properties during the years 1927 and 1928, respectively, the sums [46] of $9,292.75 and $4,437,94, respectively. These sums represent ordinary and necessary expenditures within the meaning of the provisions of the Revenue Acts of 1926 and 1928. Notwithstanding these facts, the Respondent erroneously and illegally disallowed these respective sums as deductions.

5. During the year 1922 Petitioner acquired for use in its business a yacht for the total sum of

$66,145.03. Petitioner expended in the maintenance and operation of its yacht during the years 1927 and 1928, respectively, the sums of $21,371.26 and $22,197.28, respectively, all of which constitute ordinary and necessary expenses within the meaning of the provisions of the Revenue Acts of 1926 and 1928, and which the Respondent erroneously and illegally refused to allow as deductions.

6. During the years 1927 and 1928 Petitioner maintained at its place of business a kitchen for which it expended in the maintenance and operation thereof the sums of $2,571.92 and $2,707.04, respectively. Petitioner maintained this kitchen in order to provide eating facilities for the officers of Petitioner as well as for actors and actresses connected with Petitioner's business and those business men with whom Petitioner did business; at no time during the years 1927 and 1928 was there an appropriate eating place near Petitioner's studio; furthermore, Petitioner's officers, actors and actresses were able through the maintenance of the kitchen, to carry on business transactions during luncheon hours. Petitioner's officers and the actors and actresses working for Petitioner, as well as business associates and those interested in the pictures produced by Petitioner, often remained at the studio late at night and during these times it became necessary for Petitioner to maintain an appropriate eating place; notwithstanding the fact that the kitchen was maintained by Petitioner as a business necessity, the Respondent erroneously and

illegally disallowed as deductions the [47] foregoing amounts expended by Petitioner in the maintenance and operation thereof.

7. Petitioner during the years 1927 and 1928 made miscellaneous expenditures in the conduct of its business in the total sums of $2,830.00 and $6,094.75, respectively, which the Respondent erroneously and illegally disallowed as deductions; these expenditures constitute ordinary and necessary expenses within the meaning of the provisions of the Revenue Acts of 1926 and 1928.

8. During the years 1927 and 1928 Petitioner was the owner of certain buildings on which it sustained depreciation in the respective sums of $5,294.18 and $5,298.90. These depreciation charges constitute allowable deductions within the meaning of the provisions of the Revenue Acts of 1926 and 1928, and the action of the Respondent in disallowing them was erroneous and illegal.

9. During the year 1928 Petitioner sustained depreciation on its yacht in the sum of $2,629.84 which the Respondent erroneously and illegally disallowed as a deduction. The Respondent's disallowance of this sum as a deduction was based upon his erroneous assumption that the yacht did not belong to nor was it used by Petitioner in the conduct of its business.

10. About December 14, 1926, Petitioner acquired 150 shares of stock of the California Air Construction Company for which it paid the sum of $10,000.00. Petitioner is informed and believes

and therefore alleges that during the year 1928 the California Air Construction Company operated at a very substantial loss and became insolvent to the extent of more than $90,000.00. Petitioner was further informed and believes that a great many judgments had been filed against said California Air Construction Company; that on account of the foregoing Petitioner's investment in the stock of the California Air Construction Company became worthless and Petitioner sustained during that [48] year a loss to the full extent thereof, to-wit: the sum of $10,000.00.

11. Petitioner, during the year 1928, ascertained to be worthless and charged off the sum of $1,697.46 which represented a debt due Petitioner from the California Air Construction Company. This company, as heretofore alleged, became insolvent in 1928 and the ascertainment by Petitioner was reasonable under the circumstances and therefore this sum constitutes a deduction within the meaning of the provisions of the Revenue Act of 1926 as amended by the Revenue Act of 1928. During the same year, to-wit, 1928, Petitioner also ascertained to be worthless and charged off as a bad debt the sum of $4,450.00 which represented total loans made by Petitioner to one Rudolph Berliner. Petitioner, during the year 1928, became convinced that no collection could be made from Mr. Berliner and having ascertained the debt to be worthless charged the same off its books of account. Notwithstanding these facts, the Respondent erroneously and illegally

treated the transaction as a forgiveness of indebtedness and therefore disallowed the same as a deduction.

12-a. Petitioner's undistributed earnings for the years 1927 and 1928 were retained for the purpose of protecting Petitioner's investments and for the purpose of enabling it to pursue its legitimate and authorized pursuits. No part of these earnings was retained for the purpose of preventing the imposition of surtaxes upon Petitioner's stockholders. Petitioner was organized for the purposes, among others, of producing and distributing motion pictures. The production and distribution of motion pictures requires very large sums of money. Many pictures which have been produced by Petitioner have cost approximately $1,000,000.00 each and some of them have cost far in excess of this amount. Petitioner, during the years herein involved, had contracts for the production of motion pictures which were of short duration and which were subject to termination on rather short notice. Disputes over [49] the performance of these contracts and particularly with respect to production costs arose to such an extent that Petitioner was compelled to and did take steps to acquire studio and other facilities for the purpose of producing motion pictures independently of other firms and corporations. Petitioner's contractural relations with those for whom Petitioner was producing pictures were such at all times during the years 1927 and 1928, as well as during prior years, that the dis-

tribution of Petitioner's earnings would have so weakened Petitioner's financial position as to have jeopardized its very existence. The production of motion pictures has been and now is a rather hazardous business enterprise, the stability of which is constantly being affected by changes and improvements. The advent of sound pictures revolutionized the industry. These and other improvements that are constantly confronting the motion picture industry make it necessary for producers to maintain large sums of working capital. In addition to the requirements for motion picture production, Petitioner needed in its business substantial sums of money for the purpose of carrying on its other activities, particularly those relating to the purchase, improvement and sale of real estate.

At no time during the years herein involved was Petitioner's surplus unreasonably large for the needs of its business; in fact its retained earnings were insufficient to carry on Petitioner's business in the manner contemplated by its officers. Petitioner was not created nor was it availed of at any time during the years herein involved for the purpose of preventing the imposition of the surtax upon its stockholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, consequently the action of the Respondent in determining that the retention of Petitioner's earnings for the years 1927 and 1928 was in violation of Section 220 of the

Revenue Act of 1926 and Section 104 of the Revenue Act of [50] 1928 was arbitrary, erroneous and illegal.

12-b. Petitioner alleges that it did not violate the provisions of Section 220 of the Revenue Act of 1926 and/or Section 104 of the Revenue Act of 1928 by retaining the earnings derived by it during either of the years 1927 and 1928, but in the event that this Board should sustain the Respondent in his determination that the provisions of Section 220 of the Revenue Act of 1926 and/or Section 104 of the Revenue Act of 1928 should apply to Petitioner, then Petitioner alleges that the provisions of Section 220 of the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928 imposing the tax and/or obligation proposed in the said deficiency letter are so arbitrary and capricious as to amount to confiscation and thus offend the spirit and letter of the Fifth Amendment to the Constitution of the United States of America; furthermore, Petitioner alleges that the provisions of Section 220 of the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928 impose upon Petitioner an unconscionable tax or penalty and that neither the tax nor the penalty is warranted or authorized by the Sixteenth Amendment to the Constitution of the United States of America, nor is the tax or penalty authorized by any other provision of said Constitution. The Respondent erroneously and illegally failed and neglected to hold the provisions of Section 220

of the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928 unconstitutional and void.

13. Petitioner is informed and believes and therefore alleges that the time within which assessment might be proposed for the years herein involved expired prior to the date the said deficiency letter was mailed to Petitioner.

WHEREFORE, Petitioner prays that the Board hear and determine this appeal and render judgment in accordance with the foregoing. Petitioner [51] prays for such other and further relief as may be deemed meet and proper in the premises.

THOMAS R. DEMPSEY,
A. CALDER MACKAY,
Attorneys for Petitioner,
1104 Pacific Mutual Building,
Los Angeles, California. [52]

State of California
County of Los Angeles.—ss.

Cecil B. deMille, being first duly sworn, deposes and says: That he is an officer, to-wit, President of CECIL B. deMILLE PRODUCTIONS, INC., the above named Petitioner, and makes this verification for and on behalf of said corporation, that he has read the foregoing petition and knows the contents thereof and that the same is true of his own knowledge, except the matters which are therein stated upon information and belief and that as to those matters he believes it to be true.

CECIL B. deMILLE (Signed)

Subscribed and sworn to before me this 8th day of January, 1932.

[Seal] GLADYS ROSSON (Signed)

Notary Public in and for said County and State.

My Commission Expires June 12, 1935. [53]

NP-2-26-28

"EXHIBIT A".

Office of Nov. 17, 1931
Commissioner of Internal Revenue
Washington, D. C.
IT:E:Aj
HR-13777-60D
Cecil B. DeMille Productions, Incorporated,
c/o A. Calder Mackay,
1104 Pacific Mutual Building,
Los Angeles, California.
Sirs:

You are advised that the determination of your tax liability for the years 1927 and 1928 discloses a deficiency of $525,817.40 as shown in the statement attached.

In accordance with section 274 of the Revenue Act of 1926 and section 272 of the Revenue Act of 1928, notice is hereby given of the deficiency mentioned. Within sixty days (not counting Sunday as the sixtieth day) from the date of the mailing of this letter, you may petition the United States Board of Tax Appeals for a redetermination of

your tax liability for the years in which a deficiency is disclosed.

HOWEVER, IF YOU DO NOT DESIRE TO PETITION, you are requested to execute the enclosed agreement form and forward it to the Commissioner of Internal Revenue, Washington, D. C., for the attention of IT:C:P-7. The signing of this agreement will expedite the closing of your returns by permitting an early assessment of any deficiency and preventing the accumulation of interest charges, since the interest period terminates thirty days after filing the enclosed agreement, or on the date assessment is made, whichever is earlier; WHEREAS IF NO AGREEMENT IS FILED, interest will accumulate to the date of assessment of the deficiency.

Respectfully,
DAVID BURNET,
Commissioner.
By J. C. WILMER (Signed)
Deputy Commissioner.

Enclosures:
Statement
Form 882
Form 870
mh-3 [54]

STATEMENT.

IT:E:Aj
HR-13777-60D

In re: Cecil B. deMille Productions, Inc.,
c/o A. Calder Mackay,
1104 Pacific Mutual Building,
Los Angeles, California.

Year	Deficiency in Tax
1927	$138,217.60
1928	387,599.80
Total	$525,817.40

Reference is made to the report of the revenue agent who examined your books of account and records; to your protest submitted to the internal revenue agent in charge at Los Angeles on February 13, 1931 and to the report covering conferences held in the office of that official.

After careful review and consideration the Bureau holds that the findings of the examining officer are correct.

Based on the evidence in the file in the case the Bureau holds that you are subject to the 50% tax under the provisions of section 220 of the Revenue Act of 1926 and section 104 of the Revenue Act of 1928.

1927		
Net income reported on return		$141,052.83
Add:		
1. Expense deductions treated as dividends paid	$79,965.93	
2. Partenrship income	790.31	
3. Capital expenditures	265.00	
4. Depreciation	5,294.18	86,315.42
Net income adjusted		$227,368.25

EXPLANATION OF CHANGES.

1. This item represents the disallowance of certain claimed expenditures which are treated as distributions of profit to Mr. Cecil B. deMille. The same item is included in the returns for the years 1927 and 1928, and the following summary covers such disbursements for each of those years: [55]

	1927	1928
a. Mr. C. A. deMille	$43,900.00	$44,200.00
b. Residence	9,292.75	4,437.94
c. Yacht	21,371.26	22,197.28
d. Kitchen	2,571.92	2,707.04
e. Miscellaneous	2,830.00	6,094.75
Totals	$79,965.93	$79,637.01

Item (a) was reported as salary paid and is disallowed as not being paid for services rendered.

Items (b) and (c) represent excess "carrying charges" on Laughlin Park and Yacht "Seaward" and are treated as additional distribution of profit or dividends to Mr. Cecil B. deMille.

Items (d) and (e). Additional miscellaneous disbursements considered as distributions of profit to Mr. deMille.

2. Distributive income in real estate Trust #90, Bank of Italy, omitted from return.

3. "Organization cost" representing expenditures in connection with the increase in capital stock eliminated from the deduction claimed for miscellaneous expenses and treated as a capital expenditure.

4. Depreciation disallowed. The depreciation charged off on the following assets for the years 1927 and 1928, has been disallowed on account of the property not being used in taxpayer's trade or business in accordance with article 201, Regulations 74.

	1927	1928
Laughlin Park (Mr. deMille's residence)	$5,294.18	$5,298.90
Yacht "Seaward" (Mr. deMille's yacht)	—	2,629.84
Totals	$5,294.18	$7,928.74

mh-3 [56]

COMPUTATION OF TAX.

Net income adjusted		$227,368.25
Income tax at 13½%		30,694.71
Tax under section 220, Revenue Act of 1926:		
Net income	$227,368.25	
Add: Dividends	25,761.79	
Taxable at 50%	$253,130.04	$126,565.02
Total tax assessable		$157,259.73
Tax previously assessed		19,042.13
Deficiency in tax		$138,217.60

1928		
Net income reported on return filed		$716,494.19
Add:		
1. Expense deductions treated as dividends paid	$79,637.01	
2. Deduction for loss (worthless stock) disallowed	10,000.00	
3. Bad debts disallowed	6,147.46	
4. Depreciation disallowed	7,928.74	103,713.21
Total		$820,207.40
Deduct:		
5. Profit on sale of capital assets reduced		83,462.75
Net income adjusted		$736,744.65

EXPLANATION OF CHANGES.

1. Explained under Item 1 in 1927.

2. The deduction claimed on account of stock of the California Air Construction Company, Incorporated, being considered worthless and charged off as a loss at the end of 1928 has been disallowed, it is held that this stock was not worthless or the loss determinable at the close of the calendar year 1928.

mh-3 [57]

3. The following items included in the deduction for bad debts have been disallowed:

(a) California Air Construction Company	$1,697.46
(b) Rudolph Berliner	4,450.00
Total	$6,147.46

(a) Same explanation as for losses, Item 2 above.

(b) The charge-off of advances or loans made to R. Berliner during the period from September 30, 1921, to April 27, 1924, aggregating $4,450.00 has been held to represent a forgiveness of indebtedness as no efforts to recover any portion of this indebtedness were made.

4. Depreciation adjustment explained under Item 4 in 1927.

5. Reduction in profit on sale of capital assets in the amount of $83,462.75 results from an adjustment in cost computation of Pathe Exchange stock sold in 1928.

COMPUTATION OF TAX.

Net income adjusted		$736,744.65
Income tax at 12%		88,409.36
Tax under section 104, Revenue Act of 1928:		
Net income	$736,744.65	
Add: Dividends	33,594.82	
Taxable at 50%	$770,339.47	$385,169.74
Total tax assessable		$473,579.10
Tax previously assessed		85,979.30
Deficiency in tax		$387,599.80

Payment should not be made until a bill is received from the collector of internal revenue for your district and remittance should then be made to him.
mh-3.

[Endorsed]: Filed Jan. 12, 1932. [58]

[Title of Court and Cause—Docket No. 61290.]

ANSWER.

The Commissioner of Internal Revenue, by his attorney, C. M. Charest, General Counsel, Bureau of Internal Revenue, for answer to the petition of the above-named taxpayer, admits and denies as follows:

1. Admits the allegations contained in paragraph 1 of the petition.

2. Respondent admits that the notice of deficiency was mailed to the petitioner on November 17, 1931 and denies the remainder of paragraph 2 of the petition.

3. Admits the allegations contained in paragraph 2 of the petition.

4-(a) to (1) inclusive. Denies that the respondent erred as alleged in subparagraphs (a) to (1) inclusive of paragraph 4 of the petition.

5-(1) to (13) inclusive. Denies the matters set forth in subparagraphs (1) to (13) inclusive, of paragraph 5 of the petition.

Denies generally and specifically each and every material allegation contained in taxpayer's petition not hereinbefore specifically admitted, qualified or denied.

WHEREFORE it is prayed that the Board redetermine the amount of the deficiency involved in this proceeding to be equal to the amount determined by the Commissioner, plus any additional amount which may arise from the correction of any error or errors that may have been committeed by the Commissioner. Claim is [59] hereby asserted for the increased deficiency, if any, resulting from such redetermination.

(Signed) C. M. CHAREST,
General Counsel,
Bureau of Internal Revenue.

Of Counsel:
A. H. FAST,
F. L. VAN HAAFTEN,
Special Attorneys,
Bureau of Internal Revenue.

[Endorsed]: Filed Feb. 24, 1932. [60]

[Title of Court and Cause—Docket No. 61290.]

AMENDMENT TO PETITION.

Comes now the Petitioner in the above entitled case and having first obtained leave of the Board files the following as an amendment to its petition heretofore filed herein:

Petitioner withdraws subparagraph 12-b under Paragraph V and substitutes the following in lieu thereof:

12-b. Petitioner alleges that it did not violate the provisions of Section 220 of the Revenue Act of 1926 and/or Section 104 of the Revenue Act of 1928 by retaining the earnings derived by it during either of the years 1927 and 1928, but in the event that this Board should sustain the Respondent in his determination that the provisions of Section 220 of the Revenue Act of 1926 and/or Section 104 of the Revenue Act of 1928 should apply to Petitioner, then Petitioner alleges that the provisions of Section 220 of the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928 imposing the tax and/or obligation proposed in the said deficiency letter are so arbitrary and capricious as to amount to confiscation and thus offend the spirit and letter of the Fifth Amendment to the Constitution of the United States of America.

Petitioner further alleges that the provisions of Section 220 of the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928 violate the Tenth Amendment to the Constitution of the United States in that said sections constitute attempts by Congress

under the guise of tax to exercise [61] power not delegated to the United States but one reserved to the States; that the regulation of the affairs of corporations which are chartered by States is reserved to State legislatures; and that all discretion on the declarations of dividends has been committed to boards of directors by the California Legislature and responsibility and liability therefor have been fixed upon them.

Petitioner further alleges that the provisions of Section 220 of the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928 impose upon Petitioner an unconscionable tax or penalty and that neither the tax nor the penalty is warranted or authorized by the Sixteenth Amendment to the Constitution of the United States of America, nor is the tax or penalty authorized by any other provision of said Constitution; furthermore, the provisions of Section 220 of the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928 are contrary to the general and implied provisions of the United States Constitution in that they impose a penalty upon one taxpayer for the failure of another taxpayer to pay taxes not imposed; Petitioner further alleges that the said sections violate the spirit of the Constitution and particularly the Eighth Amendment thereof in that the penalty or tax imposed is excessive, cruel and unusual. The Respondent erroneously and illegally failed and neglected to hold the provisions of Section 220 of

the Revenue Act of 1926 and Section 104 of the Revenue Act of 1928 unconstitutional and void.

THOMAS R. DEMPSEY,
A. CALDER MACKAY,
Attorneys for Petitioner,
1104 Pacific Mutual Building,
Los Angeles, California. [62]

State of California
County of Los Angeles.—ss.

CECIL B. deMILLE, being first duly sworn, deposes and says: That he is an officer, to wit, President of CECIL B. deMILLE PRODUCTIONS, INC., the above named Petitioner, and makes this verification for and on behalf of said corporation; that he has read the foregoing amendment to petition and knows the contents thereof and that the same is true of his own knowledge, except the matters which are therein stated upon information and belief and that as to those matters he believes it to be true.

CECIL B. deMILLE (Sgd.)

Subscribed and sworn to before me this 16th day of December, 1933.

CARTER DALY,
Authorized to administer oaths under the Revenue Act of 1926.

[Endorsed]: Filed at hearing, Dec. 16, 1933. [63]

[Title of Court and Cause—Docket Nos. 52996, 61290, 65123.]

STIPULATION.

It is stipulated that the net income determined by the respondent for each of the years 1924 to 1929, inclusive, as shown by the notices of deficiencies from which the above appeals are taken may be adjusted as follows:

	Year 1924		
Net income per notice of deficiency			$264,651.41
Deduct:			
Salaries:			
Constance A. deMille	$24,700.00		
Mrs. E. K. Adams	15,600.00		
Julia Faye	13,000.00		
		$53,300.00	
Maintenance of Laughlin Park		9,924.16	
Maintenance of Yacht		11,356.45	
Miscellaneous expense		1,377.87	
Depreciation buildings Laughlin Park		4,750.00	
Depreciation Yacht		9,921.75	
			90,630.23
Agreed net taxable income for 1924			$174,021.18
	Year 1925		
Net income per notice of deficiency			$646,138.52
Deduct:			
Salaries		$27,500.00	
Maintenance, Laughlin Park		5,975.18	
Maintenance, Yacht		13,647.62	
Traveling expense		2,750.42	
Kitchen expense		2,314.02	
Depreciation, buildings, Laughlin Park		4,818.69	

[64]

Brt. fwd.		$646,138.52
Deductions (contd.)		
Depreciation, yacht	$ 9,921.75	
Income transferred from 1925 to 1928	116,850.00	183,777.68
Agreed taxable net income for 1925		$462,360.84
Year 1926		
Net income per notice of deficiency		$615,134.09
Deduct:		
Salaries	$25,000.00	
Maintenance, Laughlin Park	5,695.77	
Maintenance, Yacht	25,481.89	
Horse expense and depreciation	2,179.28	
Kitchen expense	2,712.20	
Depreciation, buildings	4,874.50	
Depreciation, yacht	9,916.78	
Bad debts	500.00	76,360.42
Agreed taxable net income for 1926		$538,773.67
Year 1927		
Net income per notice of deficiency		$227,368.25
Deduct:		
Salaries	$30,000.00	
Maintenance, Laughlin Park	9,292.75	
Maintenance, Yacht	16,028.45	
Kitchen expense	2,571.92	
Miscellaneous expense	1,830.00	
Depreciation	5,294.18	65,017.30
Agreed taxable net income for 1927		$162,350.95

Year 1928

Net income per notice of deficiency		$736,744.65
Deduct:		
Salaries	$30,000.00	
Maintenance, Laughlin Park	4,437.94	
Maintenance, Yacht	16,647.96	
Kitchen expense	2,707.04	
Miscellaneous expense	4,625.00	
Depreciation	7,928.74	
Loss, California Air Const. Co.	10,000.00	
Bad debts	6,147.46	82,494.14
		$654,250.51

[65]

Brt. fwd.	$654,250.51
Add:	
Additional profit sale of Pathe Exchange, Inc. stock	253,871.68
Agreed taxable net income for 1928	$908,122.19

Year 1929

Net income per notice of deficiency		$136,445.98
Deduct:		
Salaries	$30,000.00	
Maintenance, Laughlin Park	9,921.58	
Maintenance, Yacht	17,491.55	
Kitchen expense	2,428.50	
Horse expense	2,052.09	
Yacht taxes	388.00	
Depreciation	6,643.84	
Story prices	1,000.00	69,925.56
Agreed taxable net income for 1929		$ 66,520.42

.....

Attorney for Petitioner

.....

General Counsel, Bureau
of Internal Revenue,
Attorney for Respondent.

too
12-19-33

[Endorsed]: Filed Dec. 20, 1933. [66]

[Title of Court and Cause.]

STIPULATION.

It is stipulated between counsel for the respective parties that the annexed sheets contain the detail of the stocks and bonds and investments of Cecil B. deMille in each of the years 1923 to 1929, inclusive (see pp. 418, 419 of Transcript of hearing). It is further stipulated that wherever the name "Cecil B. deMille Prods." appears in the attached statements the name of the petitioner Cecil B. deMille Productions, Inc., is meant.

A. CALDER MACKAY,
Attorney for Petitioner.
ROBERT H. JACKSON,
General Counsel,
Bureau of Internal Revenue,
Attorney for Respondent.

[Endorsed]: Filed Apr. 23, 1934. [67]

NOTES RECEIVABLE												
Jackie Coogan Productions	3,145.00		1,945.00									
Edward Knoblock	5,000.00		10,000.00		4,550.00							
" "	5,000.00											
" "	5,000.00											
Cecil B. de Mille Prods. Inc.	25,000.00		45,000.00									
" "	7,632.64											
												83,000.00
Ellis Adams	550.00		550.00		550.00		550.00		550.00	550.00	550.00	200.00
Burwell Syndicate	5,520.00		5,520.00		5,520.00		5,520.00					
S. A. Claggett	2,500.00		2,500.00		2,500.00		3,328.87		3,328.87	3,328.87	3,328.87	3,975.80
Frank Hopkins	250.00		250.00		250.00							
Bessie McGaffey	350.00											
Motion Picture Directors Asso.	250.00											
Ethel A. Holms	250.00		200.00		60.00		40.00					
Mary Kelly	250.00		250.00									
Geo. Pezet	350.00											
E. O. Chandler	200.00		200.00									
— N. Clark	125.00		135.00		225.00							
— S. Webb	250.00											
— Lowe	30.00											
Frances Powers	50.00		50.00		50.00		50.00					
U. Yamabe	80.00		200.00									
Mrs. J. T. McClanney	22.10		22.10		22.10							
Lottie Cruz	35.00											
Edward Moore	77.50											
Rodney Doremus	25.00	61,942.24										
Boyd, Wm.			220.00	67,042.10	250.00							
Bell, G.					90.00							
—ffee, C. P.					30.00							
George, Alice					75.00		7.02		7.02			
Leisen, J. M.					257.02							
Moran, Anthony					100.00							
Morris, Mark K.					100.00							
Overholt, Alma					100.00		100.00					
——, Harry					116.60		116.60					
—lace, Fred					150.00							
Wing, Ward					200.00							
Mofford, Maggie					38.50	15,234.22	26.83	9,739.32				
Burns, Roy									30.00			
Carlton, Adele									50.00			
Elter, Ameilka									1,092.50			

	1923		1924		1925		1926		1927		1928		1929	
	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total
Notes Receivable—Cont'd.														
Kildare, Norma									250.00					
Lory, Zora									300.00					
Wyatt, W. T.									100.00	5,858.39				
Baker, F. D.											200.00			
Day, F. S.											150.00	4,228.87		
Beaton, Wilford													750.00	
Elmer, Wm.													100.00	
King, A. G.													200.00	
McPherson, Jeanie													500.00	
—ffey, Bessie													200.00	
Murray, Jas.													521.92	
—sevelt Irrig. Dist.													15,000.00	
Rosson, Gladys													200.00	
Adams, E. K.													200.00	104,647.72
ACCOUNTS RECEIVABLE														
Jackie Coogan Prods.	7,500.00													
McCarthy, N. S.	36.48		36.48											
Jeanie MacPherson	5,079.73		4,205.23		5,305.23		250.00							
—ia Faye	1,606.78		908.78		986.62				231.27		1,981.27		1,981.27	
Charlotte Carter	312.50													
Wm. Sherer	250.00													
Mrs. C. B. de Mille	150.00													
Charles Hunter	25.00													
Gladys Rosson	10.00													
S. Fairbanks	5.00													
— Bell	90.00		90.00											
Lillian Bell	250.00		250.00		250.00									
Frances Harner	33.80													
Cora Spoor	1,741.52													
Georgia K. Devore	75.00													
Valeria Jones	200.00	17,365.81	200.00		200.00									
—er, Frances			215.80		215.80									
Moran, Anthony			100.00											
Morris, Mary			100.00											
Perline, H. O.			20.00											
Sherer, Wm.			250.00		250.00		225.00							
Stein, Selma			50.00		50.00				227.00					
Wing, Ward			200.00											
de Mille, Beatrice			1,548.95	8,175.24	16,531.49		16,581.49		16,532.41					
American Magnesium Corp.					5,500.00		5,500.00		5,500.00					
Hart, Mrs.					50.00									
Ponty, S. G.					25.00	29,364.14	125.00							
Delmates, Bruce							100.00							
Harris, Mildred							50.00							
Lory, Zora							300.00							
Murray, Adelaide							100.00							
Schenck, Wm.							100.00							
Zocsick, Oga							100.00							
Suspense						349.13	1,507.51	24,939.00	11.25		6,830.40		1,432.84	

	1923		1924		1925		1926		1927		1928		1929	
	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total
ACCOUNTS RECEIVABLE—CONT'D.														
DeMille, Cecelia									150.00		968.23		638.93	
Ellis, Geo.									40.00					
Elliotte-Horne									2,910.00		2,910.00		2,910.00	
Mofford, Maggie									26.83					
Overholt, Alma									100.00		100.00		60.00	
Umicker, Arthur									25.00	25,751.76	25.00		25.00	
California Air Const.											53,150.00		53,150.00	
Flebbe, Geo.											82.50			
Lewis, Viola											70.00			
McBride, Gabe											272.50			
Benton, Eva											60.00	66,450.30	570.00	
Grosbeck, Dan													200.00	
—emp, A. N.													500.00	61,468.04
STOCKS														
1800 deMille Prods. Inc.	180,000.00	(2200 shs.)	182,500.00		182,500.00	(2900)	187,500.00		186,903.27		186,903.27		186,772.02	
5 Fed. Tr. & Svgs. Bk.	600.00													
10 Commercial Nat'l.	1,600.00		2,197.74		1,600.00		1,600.00		1,600.00					
10 Famous Players	788.75		788.75											
10 American Investigators	1,000.00													
1 Central Investment	100.00		100.00		100.00		100.00		100.00		100.00		100.00	
90 L. A. Speedway	9,000.00													
650 Aviation Securities	65,000.00													
5 Bank of Italy	1,125.00	259,213.75	1,125.00		1,125.00		13,630.24							
10 Al Maliekah Aud.			1,000.00		1,000.00		1,000.00		1,000.00		1,000.00		1,000.00	
10 American Investigation			1,000.00		1,000.00		1,000.00		1,000.00					
5 Bank of America			675.00		675.00		640.00				6,352.78		4,200.00	
20 Bancitaly			2,500.00		7,910.00		7,910.00		12,036.08					
100 Elias Katz Shoes Pfd.			5,000.00	196,886.49	5,000.00		5,000.00							
35 Americommercial Bk.					5,937.74									
800 Cinema Corp. of America Pfd.					20,000.00									
Denver Tramway Corp.					3,625.00									
50 Federal Building Co.					5,000.00									
1000 North American Theatres					11,250.00		11,250.00							
500 " " " Pfd.					—	246,722.74	—							
Equitable Insurance Co.							100.00		100.00					
Golden State Theatre & Realty Co.							10.00		10.00		10.00		10.00	
Hollywood Hospital Co.							2,500.00		2,500.00		2,500.00			
Vine St. Holding Corp.							13,100.00	245,340.24	13,675.07		13,840.26		13,840.26	
Bank of Italy									18,645.24					
4287 Pathe Exchange									20,000.00	257,369.66	3,881.81		1,214.04	
105 Int'l. Comb. Engine											10,825.00		11,325.00	
100 Std. Oil of N. J.											3,972.50		3,972.50	
Transamerica											29,918.57		17,562.20	
100 White Sewing Machine Co.											5,422.50			
E. F. Hutton											123.77	264,602.92		
Bendix													3,270.00	
Intercoast Trading Co.													1,452.50	
Lone Butte Farms													31.25	
Salt River Valley Lands													2.00	244,751.77

	1923		1924		1925		1926		1927		1928		1929	
	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total	Detail	Total
BONDS														
1M Salt Lake Terminal	1,000.00		1,000.00		1,000.00		1,000.00		1,000.00		1,000.00		1,000.00	
1M City of Tucson	1,037.80		1,037.80		1,037.80		1,037.80		1,037.80		1,037.80		1,037.80	
500 U. S. Liberty 1st	500.00		400.00		200.00		7,400.00		7,400.00		7,550.94		9,957.41	
300 " " 2nd	300.00		2,200.00		2,400.00		200.00							
750 " " 4th	750.00		850.00		850.00		850.00		850.00		850.00		1,003.92	
1M Little Rock Irrig. Co.	1,061.00		1,061.00		1,061.00		1,061.00		1,061.00		1,061.00		1,061.00	
1M Palmdale Irrig. Dist.	1,059.40	5,708.20	1,059.40		1,059.40		1,059.40		1,059.40		1,059.40		1,059.40	
100 Town of Chandler			100.00	7,708.20	100.00	7,708.20	100.00		100.00					
3M City of Holtville							2,910.00							
1M L. A. School							1,007.00		1,007.00		1,007.00		1,007.00	
2M L. A. Water							2,085.00		2,096.00		7,469.70		10,539.63	
1M S. F. City Hall							1,085.00		1,085.00		1,085.00		1,085.00	
5M L. A. Highway							5,000.00		5,000.00					
500 San Diego City							495.00							
1M Whittier School Dist.							1,049.00	26,339.20	1,049.00	22,744.80	1,049.00		1,049.00	
5M East Bay Municipal											5,470.49		5,470.49	
5M L. A. City Hall											5,270.37		5,270.37	
5M U. S. Treasury Cert.											4,996.49	38,907.19	5,000.00	
5M Roosevelt Irrig. Dist.													4,250.00	48,791.02
Miscellaneous Bonds														
Polish Govt. Bds.	325.00		325.00											
Budapest Mun. Bonds	100.00		100.00		100.00		100.00		100.00		100.00		100.00	
City of Warsaw	39.70	464.70	39.70		39.70									
U. S. of Brazil			255.00	719.70	255.00	394.70	255.00		255.00		255.00			
Midi R. R. of France							750.00		750.00		750.00		750.00	
Czecho-Slovak							520.00	1,625.00	520.00	1,625.00	520.00	1,625.00	520.00	1,370.00
SPECIAL VENTURES														
American Magnesium	5,500.00		5,500.00											
Burwell Syndicate	21,858.03	27,358.03	21,858.03	27,358.03		21,858.03		21,858.03						
Rowena Heights						6,250.00		3,750.00		3,985.56		4,308.10	5,194.92	
North Estate Sub. Div.													450.00	5,644.92
REAL ESTATE														
Argyle Ave.	5,500.00		5,500.00		5,500.00		5,573.57		5,573.57		5,573.57		5,573.57	
Argyle " Imps.	9,381.58		10,581.58		8,823.42		8,630.17		8,351.09		8,072.01		7,792.95	
North Estate Sub.	6,525.00		425.00											
" " " Lot	600.00		601.40		601.40		601.40		601.40		601.40		601.40	
Observatory Ave.	3,218.36		3,218.36		3,218.36									
Rowena Heights	16,250.00		15,000.00											
Highland Ave. 1/6 int.	9,499.99		9,499.99		8,712.49		39,198.10							
Sunset & Cahuenga	1,291.68		1,291.68		1,298.02		1,298.02		1,298.02		1,301.14		426.75	
Observatory	20,608.89		23,245.03		19,819.84		3,239.16		3,239.16		3,287.09		3,339.95	
Franklin Ave.	6,219.41	79,094.91	7,119.41		6,017.98		5,912.56		5,656.59		5,400.62		5,144.65	
Paradise	139,410.27	139,410.27	139,410.27		121,175.65		119,378.78		113,108.80		101,662.91		94,965.00	
Sonora Cabin			35.00		31.50		28.00		24.50		21.00		17.50	
Depreciation			220,632.59											
			7,500.00	213,132.59										
Hollywood Blvd.							35,077.68	218,937.44	35,077.68		35,077.68			
Encino									2,341.67	175,272.48	24,302.43	185,299.85	24,613.63	142,475.36

	1923	1924	1925	1926	1927	1928	1929
FURNITURE & FIXTURES							
Laughlin Park	75,639.77	108,220.42	56,652.95	47,232.75	36,108.99	25,230.73	18,449.30
Paradise	11,843.61	16,655.49	11,130.24	13,969.85	21,952.04	15,061.51	20,889.66
Office	28,934.48	42,657.92	30,270.92	25,038.12	20,410.03	20,707.42	9,813.15
Argyle Ave. F. & F.	1,878.82	1,927.00					
AUTOMOBILES	11,155.42	8,874.54	7,443.46	10,517.68	7,383.91	6,727.71	6,222.04
Farm Implements		90.55			445.87	369.31	578.03
Livestock	1,000.00	4,600.00	5,245.00	3,265.00	1,285.00	11,343.52	10,424.53
Life Insurance Premiums (Cash Value)	46,201.57	50,593.46	56,063.99	61,094.92	68,358.04	91,477.50	103,723.50

[Title of Court and Cause—Docket Nos. 52995, 52996, 61290, 61291, 65122, 65123, 71951, 71952.

Promulgated January 31, 1935.

1. Members of a partnership engaged in the business of producing motion pictures, all of its pictures having been made under contract for distributors, organized a corporation which took over the assets and continued the business of the partnership. A large part of the earnings, both of the partnership and its successor corporation, was withheld from distribution to firm members and stockholders, and was invested in various properties and enterprises and otherwise accumulated, in accordance with a consistent plan of the individuals (who were members of the partnership and, later, stockholders and officers of the corporation) to build up an organization, sufficiently financed, for the independent production of pictures. *Held,* the earnings were not accumulated beyond the reasonable needs of the corporation's business; the corporation was neither formed nor, during the years here before us, availed of for the purpose of preventing the imposition of surtaxes upon its stockholders, within the meaning of section 220, Revenue Acts of 1924 and 1926, and section 104, Revenue Act of 1928.

2. Where husband and wife, residents of California, orally agreed that wife's earnings and other income should remain her own, *held,* salaries received by her in compensation for her

services should not be included in income of her husband. Howard C. Hickman, 27 B. T. A. 807; affd., 70 Fed. (2d) 985, followed.

A. Calder Mackay, Esq., for the petitioners.

M. B. Leming, Esq., R. J. Bopp, Esq., and J. H. Miller, Esq., for the respondent.

In these proceedings, which, upon motion, were consolidated, petitioners contest respondent's determinations of deficiencies in income taxes against Constance A. deMille, in the amount of $758.50 for the year 1930; and against the other petitioners as follows: [73]

Year	Cecil B. deMille	Cecil B. deMille Productions, Inc.[1]
1924	$47,211.61	$157,599.66
1925	16,845.75	363,605.62
1926	19,026.20	334,871.25
1927	32,656.67	138,217.60
1928	36,625.42	387,599.80
1929	13,126.29	104,423.60
1930	23,995.88	.....
Total	$189,487.82	$1,486,317.53

[1]The amounts of deficiencies as here set out, include for each of these years taxes under sec. 220, Revenue Acts of 1924 and 1926, and sec. 104, Revenue Act of 1928.

Beyond various minor changes made by respondent to incomes reflected by their returns filed for these several years, the deficiencies against petitioner Cecil B. deMille, and the corporation (as to

the corporation tax at the lower rates) result mainly from respondent's action in disallowing, as deductions from gross income of the corporation, substantial items, claimed as business expenses, and adding these amounts to deMille's individual income, as dividends received by him from the corporation. Included in such items were amounts paid by the corporation as salary to petitioner Constance A. deMille. The issues raised by the pleadings concerning the most of these numerous adjustments made by respondent have been settled by stipulations of the parties, filed within the time permitted therefor. We refer to them here, in explanation of the absence from our findings of any facts concerning these matters.

Respecting the corporate petitioner, the parties have stipulated the amounts of its net taxable income for each of the years here before us, and these are hereinafter set out. Respecting petitioner Cecil B. deMille, the parties agree as to the amount of his net taxable income for each of the years before us, except as to one item. The excepted item is the salary paid Constance A. deMille (wife of Cecil B. deMille) by the corporation petitioner. In 1924 it was $24,700; in each 1925 and 1926, $36,400; and in 1927 up to July 29, $25,608.33. She filed separate returns for these years and reported these amounts. Respondent maintains these payments are taxable to petitioner under the community property laws of California. Petitioner contends that they are taxable to his wife in accordance with his agreement

with her. Which person is taxable is left for us to decide. It is agreed that if these salary payments are taxable to petitioner, they are to be taxed as ordinary income, and not as dividends.

Respecting petitioner Constance A. deMille, it is stipulated that there is due from her a deficiency in income tax for 1930 of $953.17. An order will be entered accordingly.

Upon recomputation under Rule 50, effect will be given to these several stipulations, which dispose of all issues in these cases but two. [74] Of those issues for our decision the first has been mentioned; it concerns the salaries paid to Mrs. deMille. The second is, whether respondent was correct in imposing upon Cecil B. deMille Productions, Inc., a tax under the provisions of section 220, Revenue Acts of 1924 and 1926, and section 104, Revenue Act of 1928. The corporate petitioner assails this action as to every year here involved and, in addition, urges that the statutory provisions mentioned, and under which respondent has acted, are unconstitutional.

FINDINGS OF FACT.

Cecil B. deMille, a resident of Los Angeles, is an outstanding director and producer of motion pictures. Prior to 1913 he had been active in the theatrical business as an actor, playwright, and producer of shows on the legitimate stage. In that year he joined with Jesse L. Lasky, Samuel Goldwyn, and Arthur Friend, in organizing Lasky Feature Play Co. to engage in the production and exhibition of motion pictures. DeMille's duty in

the enterprise, upon which he entered immediately, was to produce the pictures. In this he was assisted to a considerable extent by his wife, petitioner Constance A. deMille, who was an actress, and experienced also in the varied managerial details incident to the staging of plays.

From a small beginning (its first film, "Squaw Man", was made in 1913 at a cost of about $37,000) the Lasky Co. prospered and later merged with other pioneer motion picture concerns to form the Famous Players-Lasky Corporation (hereinafter called Famous Players). Of the enlarged company, deMille was made director general, his duties being, generally, the direction and production of the pictures. Thereafter, due in part to individual ambitions respecting control, difficulties developed within the organization. Goldwyn and Friend were forced out or left the company; so did Bosworth, who was originally interested in one of the merged concerns.

Because of the friction within the organization, and the departure of some of his original associates, deMille felt insecure in his position; feared that he might be ousted. Moreover, he resented, and considered himself hampered by, attempts made, both by fellow executives of the corporation and by representatives of the financial concerns furnishing money for the productions, to restrict his choice and control his judgment respecting types of pictures to be made and to interfere with his conduct of production operations. To assure himself protection, he desired to form an organization of his own, suf-

ficiently financed, so that it might produce pictures independently, freed from interference of the financiers, whether [75] banking interests or distributing companies, and reap the profits, undivided.

To this end, as early as 1918, he talked with various persons in Famous Players and other studios, whom he wished to take into his organization and, with Constance, discussed the matter with their personal attorney, McCarthy. Beyond discussion however, nothing was done in the matter until 1920. That year, by letter of August 14, deMille notified Famous Players-Lasky Corporation that he was terminating his agreements as its employee; that he was determined to realize his ambition to produce his own pictures with his own company; that he had organized a partnership through which to so do; and suggested that they make an arrangement whereby the pictures produced by the new organization might be distributed through Famous Players.

Upon McCarthy's advice, the new organization was a partnership, rather than, as contemplated by deMille, a corporation, and the articles were drawn under date of August 16, 1920. A total of $25,000 cash was paid in; $11,250 by Cecil, who had 45 percent interest, $6,250 by Constance, who had 25 percent interest, $5,000 by Ella King Adams, a relative by marriage, who had 20 percent interest, and $2,500 by McCarthy, whose interest was 10 percent. The firm's name was Cecil B. deMille Productions; its purposes were to produce, exhibit, and otherwise deal in motion pictures; to deal in studios, stories, stage properties, and any other things incidental to

the production of pictures; to contract for services either for or by the partnership and to buy, sell, and deal generally in real estate and securities.

The agreement also outlined the duties of the several partners. Cecil was to choose the stories, plan and direct the productions; Constance was to be business manager; Ella Adams was to carry on research work, read and write stories and scenarios for the concern, and McCarthy was to handle its legal matters. The partners agreed that should any one of them withdraw, the others should have the right, (first right going to Cecil) to purchase his interest at the amount of his original investment in the firm. A short time later, in order to protect the firm from a sale of a partner's interest to outsiders, and to assure his control, Cecil obtained written options to similar effect from Adams and McCarthy.

By a separate instrument, deMille contracted to render his services as a director of motion pictures exclusively to the partnership for a term of five years at a salary of $1,500 a week. He was given sole authority in the direction and production of pictures, including the right to select the stories, employ artists, and purchase materials and supplies. He undertook to complete not less than two, nor more than [76] four, pictures each year, so that the partnership might comply with an agreement it made contemporaneously with Famous Players, and was to have at his disposal all the facilities furnished by the latter under that contract. The partnership agreed to insist upon adequate advertising and publicity for the name of deMille in connection with any photoplay which it contracted to produce.

The contract between Famous Players, called the distributor, and the partnership, called the producer, was also dated August 16, 1920. It recited that deMille had previously been employed by Famous Players as a director; that Famous Players wanted more pictures directed by him; that the partnership had been formed to produce pictures directed by Cecil, and, continuing, contracted for the delivery to and acceptance by Famous Players of such productions. Famous Players agreed that the producer should make the pictures without interference and that it would furnish all facilities and artists necessary for the productions, and would pay all production costs. The pictures were to belong to Famous Players. For its services, the producer was to receive 30 percent of the net profits realized by the distributor from rentals of the film throughout the world. Against its share of the profits, the partnership was to be paid weekly advances of $3,500 during the first month, $4,500 during the second month, $5,500 during the third month, and $6,500 thereafter. It was guaranteed a return of $200,000 upon each picture within two years after its release, unless these total guarantees should exceed the total profits from all the pictures. Famous Players was to remit weekly the costs of production as they were expended. The contract provided also for publicity for the name of deMille, and, further, for the withholding by Famous Players of $1,000 a week from the advances in payment of Cecil's personal indebtedness to it of $50,000.

By a separate contract of the same date between Famous Players and deMille individually, he guar-

anteed the performance of the contract by the partnership, and undertook to carry it out should the firm fail so to do. The repayment of his individual indebtedness to Famous Players was also covered upon terms as above set out. Cecil agreed not to direct any pictures nor permit his name to be used in connection with any pictures, except those to be produced by the partnership and delivered to Famous Players under that contract. He agreed also to continue to serve as director general of Famous Players, without compensation beyond that paid him by the partnership.

So, under these arrangements, the partnership made pictures. It built up a staff of technical experts in all lines incident to the making of pictures, and maintained it continuously, though, of course, with [77] occasional changes in personnel. Although carried on the pay roll of Famous Players, the staff was a part of the firm's organization and subject to its control. By agreement, the partnership earnings were not distributed except through salaries (although the partners reported and paid tax on their respective shares) but were invested in various enterprises, and in real estate and securities. The concerted aim of the partners was to accumulate a fund—the figure they tentatively fixed was $4,000,000—with which they might finance their own productions, without the necessity for making them under contract for others, or by borrowing money from distributors, which was the usual method by which independent producers financed their pictures at the time.

On June 10, 1922, the Cecil B. deMille Productions, Inc. (petitioner here), was organized under the laws of California by the members of the partnership. This company (hereinafter called Productions) was given by charter, broad powers, not only as to the production of motion pictures but also to deal in real estate, securities, and other property. It took over all the assets of the partnership (and assumed its liabilities), issuing in exchange therefor 4,000 shares of its capital stock to the partners in accordance with their partnership interests.

The net tangible assets thus acquired (all of which represented accumulated earnings of the partnership) totaled $252,389.82, as follows:

Cash in banks	$ 30,000.00	
Securities and Investments	54,519.86	
Automobiles	5,190.00	
Furniture and Fixtures	230.00	
Props	24,371.50	
Scenarios and Picture rights	10,000.01	
Loans receivable (of which deMille owed $110,013.33)	145,578.45	
		$269,889.82
Accounts payable		17,500.00

The several contracts mentioned above, to which the partnership and deMille individually were parties, were taken over and continued in force by the new company (though whether by written assignment does not appear) and valued together with the good will of the old firm, at $150,000. The technical staff was likewise taken over by the new company and continued in existence, subject to the com-

pany's control, throughout the years here before us, although its personnel, most of the time was carried on the pay rolls of concerns with which this company made contracts.

The possibility of tax avoidance by means of the corporation, or of avoidance of surtaxes upon the shareholders by permitting the [78] company's profits to accumulate, was neither mentioned nor discussed by any of the stockholders at the time this company was organized, nor at any time thereafter, until respondent began his investigation which culminated in issuance of the notices of deficiencies herein.

Productions continued to make pictures for Famous Players under the contract of August 16, 1920. There was considerable friction, chiefly over production costs, accounting methods, and division of the profits, which finally brought about the termination of the contract. It was succeeded by a new agreement between Famous Players and Productions dated November 16, 1923.

Respecting the production of the pictures, the direction thereof by deMille, the exclusive right to his services, publicity for his name, the furnishing of studio facilities, artists and money by Famous Players, the provisions of the old contract were, in the main, repeated in the new. The principal changes concerned the division of the earnings. On pictures made under the old contract, Productions' share was reduced to 20 percent of gross earnings up to a million dollars, and 25 percent above that amount. On pictures to be made under the new contract, Produc-

tions was to receive 15 percent of such earnings up to one million, and 25 percent above that amount. Against Productions' share, Famous Players was to advance $6,731 weekly. It was agreed also that, in event of termination of the contract, Productions should receive all contracts and rights to the services of its staff, and of a specified number of artists.

Difficulties soon arose between the parties under this contract—again over production costs and attempted interference with deMille in his selection of stories and filming of the pictures. Within a year it was apparent that the friction would force cancellation of the contract, for both parties were dissatisfied.

Late in 1924, Productions' directors prepared to meet cancellation, expecting soon to be forced to finance their own pictures and, to that end, made efforts to restrict expenditures and conserve the company's funds. In addition, they investigated several studio properties with a view to purchase, and finally, after some delay over price, in January 1925, contracted to buy a studio owned by the Thomas H. Ince Corporation for $500,000, of which $50,000 was paid in cash or equivalent by April 23, 1925. In the meantime, deMille had undertaken negotiations with Famous Players, looking to a revision of the existing, or the making of a new contract. His efforts failed; the contract was terminated early in 1925, and he then was authorized by the directors to participate in the formation of a new distributing organization.

Meanwhile, McCarthy and his associates disagreed. Exercising his rights under the option originally

given to cover the partner- [79] ship's interest, deMille in April 1924, bought McCarthy's stock for $2,500, and made a settlement of all his other claims for a total of $20,000.

DeMille's negotiations, conducted chiefly with the Producers Distributing Co. of New York City about the time the Famous Players' contract was canceled, resulted in the organization of the Cinema Corporation of America, in which several concerns participated. The Cecil B. deMille Pictures Corporation was organized to take over the contract of purchase of the Ince studio; its stock was issued to Cinema; one half of Cinema's common stock was issued to Productions. The remaining Cinema stock was issued to W. W. Hodkinson Corporation (which owned Producers Distributing Corporation) in exchange for its stock. Productions and the Producers Distributing Corporation each paid $50,000 into Cinema; and the Hodkinson Corporation undertook to furnish it additional funds (for which it was to receive Cinema's preferred stock) to meet production costs of pictures.

Under date of February 13, 1925, Productions and deMille individually entered into a contract with Cinema and the deMille Pictures Corporation. Cinema agreed to pay Cecil a salary of $2,000 a week, to pay Productions $4,500 a week for the release of his services; and to furnish funds for picture production. Cecil agreed to serve Cinema; he was made executive head of the business in California, and given complete authority in all matters pertaining to production, including the selection of

scenarios and artists. Upon termination of the contract his services were to revert to Productions, whose only benefit under the agreement was the right to receive payment for relinquishing deMille's services. The Pictures Corporation was to supply the studio, completely equipped.

Trouble started almost immediately under this contract. The concerns in New York failed to promptly advance the initial funds agreed upon to Cinema; Cinema failed to promptly advance picture expenses for Productions. On several occasions Productions had to guarantee the payment of the weekly studio pay rolls. Friction was more or less continuous. Cinema failed to acquire theatres to serve as outlets for pictures, as had been agreed upon (verbally) although Productions, on its part, had invested substantial sums in a western theatre chain and in another chain which it organized. Cinema's selling organization was not successful and, consequently, the income from picture rentals was insufficient to carry out the purpose for which the corporation was formed. As early as November 1925 a representative of Cinema stated that the company would not perform its contract; in 1926 it was apparent that the company was not capable of supplying money in the amounts needed for pic- [80] ture production. The contract was terminated early in 1927, but the picture "King of Kings" was thereafter delivered to Cinema under a separate contract of March 26, 1927.

In February 1925 (for reasons not disclosed by the record) deMille exercised his option and purchased the Productions stock owned by Ella King Adams for $5,000, leaving one share standing in her name as nominee.

In the latter part of 1926 Productions began negotiations for a new connection, and under date of April 11, 1927, made a contract with Pathe Exchange, Inc., deMille, individually, and Pictures Corporation also joining as parties. In the main, it repeated the arrangements of prior contracts in which Productions had entered. For a consideration of $5,000 weekly, Productions relinquished deMille's services, retaining the right to reclaim them upon termination of the contract. Cecil agreed to serve Pathe at a salary of $2,500 a week. Pathe and the Pictures Corporation were to furnish a completely equipped studio, and supply funds for the making of pictures. A specified number of pictures were to be directed personally by deMille and a certain number of others were to be produced under his supervision. Cecil was given complete authority in matters pertaining to the production of pictures, but was limited in his employment of artists and selection of stories. He promised to withhold his name from any pictures except those produced under this contract, and publicity for his name in connection with such pictures was arranged. In connection with this contract, Productions exchanged its Cinema stock for Pathe stock.

The contract with Pathe was terminated by an agreement of April 18, 1928. Productions was paid $50,000 cash; the respective rights of the parties as to claims, royalties, rights to services of artists, technical experts and other employees, use of deMille's name, insurance on his life, and other matters were adjusted. Shortly thereafter, Productions sold its Pathe stock at a profit of $786,032.97.

In 1928, "sound" pictures were sufficiently perfected as to become marketable, and the motion picture industry was revolutionized. Studios and equipment became useless, and had to be rebuilt and replaced; the demand for artists, greatly changed, and new methods of production developed. Productions sustained a capital loss of $20,000 on its properties; its royalties on silent pictures previously released were greatly curtailed, but it received the amounts guaranteed to it under its prior contracts.

Before the Pathe contract was terminated, Productions started negotiations with Metro-Goldwyn-Mayer Pictures Corporation (hereinafter called Metro) and entered into a contract with Metro on July 31, 1928. This contract was subject to cancellation upon 30 [81] days' notice at Metro's election, and deMille individually guaranteed compliance by Productions with its terms. It recites that the parties "desire to contract for the production of three feature photoplays to be personally directed by Cecil B. deMille." As in other contracts, Cecil's services were relinquished by Productions, and he undertook to give them to Metro; the use of his name

was granted to Metro, publicity for it arranged, and its use in connection with other pictures restricted during the term of the agreement. Cecil was given complete authority respecting the pictures, including the right to select the stories and casts. Productions was to receive a percentage of the income from each picture and, in addition, $175,000 on each production costing a million dollars or more, and $150,000 for each production costing $750,000 or more, to be advanced in weekly payments of $5,000. Metro was to furnish the money, and the facilities; was to take over or secure insurance on Cecil's life, and do the accounting. Metro also agreed to purchase Productions' obsolete "silent" equipment (from this arose the capital loss before mentioned). This contract remained in force during the remainder of the period here before us, but disputes, beginning within that period, mainly concerning Metro's attempts to restrict deMille in his choice of stories and types of productions, caused its termination in April 1931.

From the organization of Productions, throughout the time here material, deMille and his associates, as directors of the company, continued the aim and purpose they had pursued as partners, namely, to save the company's earnings, to accumulate a fund sufficient so that the company might be able to produce its own pictures. While the greater part of Productions' income was its share of picture profits received under its contracts, it dealt actively in securities, both listed and unlisted, and in real estate. It acquired a number of business properties which

it let; it bought a theatre or two; it purchased several ranch properties, some used for purposes of picture-making, others operated to some small extent for farming or fruit-growing. It sought to invest and lay aside all the money it could, and took interests in varied enterprises—Arizona cotton lands, oil development, a construction company, and others—some successful, some not. It made no pictures except under contracts, and into the production of such pictures it put no money of its own, the funds being supplied by the other parties to the contracts. Most of its picture profits were from productions personally directed by deMille, although some income came from about 30 pictures produced under his supervision.

Production's gross income during this period (subject to some corrections in order to accord with the net income agreed upon); its net [82] income as stipulated; its receipts under its contracts as picture profits (including weekly advances); the dividends paid to its stockholders; and its surplus at the end of each year, were as follows:

Year	Gross income	Net income	Picture profits	Dividends paid	Surplus
1924	$ 396,582.81	$174,021.18	$351,629.00	$ 4,000.00	$ 309,366.66
1925	617,406.24	462,360.84	564,813.03	4,000.00	708,730.14
1926	705,788.91	538,773.67	621,086.06	40,000.00	1,136,129.30
1927	360,595.90	162,350.95	287,930.68	40,000.00	1,239,403.97
1928	1,057,081.21	908,122.19	418,224.72	256,000.00	1,568,477.56
1929	1418,842.70	66,520.42	431,258.09	48,000.00	1,606,515.33

1Loss on security sales $24,639.07.

2Also 100 percent stock dividend $400,000.

Upon organization, Productions issued 4,000 shares of common stock ratably to the members of the predecessor partnership, a few shares being held by nominees. Changes followed deMille's purchase of McCarthy's stock in 1924, and Adams' stock in 1925. In 1927 the stock was held as follows: Cecil (president and director) 2,897 shares; Constance (vice president and director) 1,000 shares; Mrs. F. E. Calvin (deMille's daughter and a director) 100 shares; Gladys Rosson (secretary of company and director) 1 share; A. J. King (business manager and director) 1 share; Ella King Adams (director, researcher, writer) 1 share. By the stock dividend in 1928, these amounts were doubled, and thereafter, through 1929, the holdings remained without change.

The salary paid deMille by Productions fluctuated, being adjusted by the directors to meet the situation when he was paid directly by distributors, and when the cancellation of a contract seemed imminent, expenditures were reduced to conserve funds. Salaries were paid as follows:

Year	Cecil B. deMille	Constance A. deMille	John A. Fisher	A. J. King	Gladys Rosson
1924	$ 78,000.00	$24,700.00	$5,200.00	—	—
1925	15,000.00	36,400.00	5,000.00	—	—
1926	6,166.66	36,400.00	—	—	—
1927	26,000.00	43,900.00	—	$12,050.00	—
1928	110,583.35	44,200.00	—	15,600.00	$6,529.17
1929	130,500.00	44,200.00	—	15,600.00	8,550.00

In 1924, Mrs. Adams was paid a salary of $15,600; in 1925 the company dispensed with her services. Fisher, who had been with the partnership and con-

tinued with the corporation as general manager, was succeeded by King.

Likewise, deMille's indebtedness to Productions fluctuated. His indebtedness to the partnership (before mentioned), taken over by the corporation, was discharged by the transfer to the company of a [83] tract of about ten acres, in or near Los Angeles, known as Laughlin Park. The deMille residence, and, adjacent to it, the Productions' office building, which included a projection room, film vault, large library and museum, were on this tract. Since the transfer of the property deMille has paid rent of $600 a month to Productions for the residence. Productions subdivided the property; sold ten lots at a substantial profit; has four unsold.

Cecil owed Productions as follows at the end of each year:

Year	Open account	Notes
1924[1]	$614.36	$5,000.00
1925	1,710.07	10,000.00
1926	1,878.19	113,400.00
1927	credit (469.37)	65,400.00
1928	4,371.56	25,900.00
1929[1]		10,900.00

[1]In 1924, Productions owed deMille, upon note or mortgage, $45,000; and in 1929, $83,000. Productions' largest loan to deMille was made in October 1926, when, at his request the directors loaned him $90,000. Repayment of this loan was completed subsequent to 1929.

Beyond his stock of Productions, deMille owned properties, both real and personal, of very substantial values; his personal assets were not taken over in toto by either the partnership or the corporation. So, also, with Constance deMille. Below are set out his net income each year and the income taxes heretofore paid by deMille and Productions.

Year	Net income, Cecil[1]	Taxes paid, Cecil	Taxes paid, Productions
1920		$56,518.26	
1921		24,540.54	
1922		12,291.60	$9,952.19
1923		6,881.55	21,183.18
1924	$81,636.00	1,420.76	12,807.18
1925	123,075.83	16,172.05	52,081.03
1926	147,322.40	23,404.73	66,488.73
1927	137,781.60	25,287.03	19,042.13
1928	144,463.52	33,243.64	85,979.30
1929	168,204.17	31,119.73	5,420.37

[1] Amounts stated for 1924 to 1927, inclusive, are reduced by elimination of salary payments to Constance A. deMille. Amounts stated for 1928 and 1929, include dividends and capital net gains as stipulated. This statement does not supplant the stipulation filed by the parties, and is subject to correction to accord therewith.

The production cost of pictures made by petitioner under its several contracts greatly varied. The cost of the smaller pictures ran from $200,000 to $400,000. The so-called feature pictures cost from $2,000,000 up to about $5,000,000.

Cecil B. deMille Productions, Inc., was not formed, nor, during the years 1924 to 1929, inclusive, was it availed of for the purpose of preventing the imposition of surtaxes upon its shareholders through the medium of permitting its gains and profits to accumu- [84] late, instead of being divided or distributed. Nor, during this time, was the corporation a mere holding or investment company.

Cecil and Constance deMille were married in 1902. At that time she was on the stage; had earnings of her own. She and her husband agreed (orally, but never in writing) that her salary, other income and property should remain her own. That agreement was reiterated in 1923; "that our salaries were entirely separate and that our financial affairs were individual." Constance, during the years here under review, always had substantial properties in her own name, and received a substantial income, both from her salaries paid by Productions, and other sources. Her properties and income she has managed herself, without control or dominance of her husband.

During the existence of the partnership, and since the organization of Productions, she has been active in the management of the business. She has taken charge of the company's real estate, assisted in the negotiation of contracts, viewed plays and read stories in search for material for films, assisted in the planning and criticism of productions, and supervised the financial affairs of the company. No issue is raised concerning the reasonableness of the

compensation paid by Productions to her, to Cecil or to any other officer or employee.

OPINION.

GOODRICH: In view of the interpretative discussions as to the legislative history, and prohibitive purposes of section 220 of the Acts of 1924 and 1926, and section 104 of the Revenue Act of 1928[3] (the material provisions of which are almost identical) contained in prior decisions of cases arising under these provisions,[4] it is unnecessary to here attempt any further observations concerning the statute. Certainly, this case demands none for, as submitted, it requires us only [85] to answer these very definite

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[3] Sec. 220. (a) If any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its shareholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, there shall be levied, collected, and paid for each taxable year upon the net income of such corporation a tax equal to 50 per centum of the amount thereof, which shall be in addition to the tax imposed by section 230 of this title and shall (except as provided in subdivision (d) of this section) be computed, collected, and paid upon the same basis and in the same manner and subject to the same provisions of law, including penalties, as that tax.

(b) The fact that any corporation is a mere holding or investment company, or that the gains or profits are permitted to accumulate beyond the reasonable needs of the business, shall be prima facie evidence of a purpose to escape the surtax.

[Subdivisions (c) and (d) here omitted.]

[4] French Mortgage & Bond Co., 38 Fed. (2d) 841; United Business Corporation of America, 19 B. T.

questions of fact: Was this company organized, or was it used for the purpose of preventing the imposition of surtaxes on its stockholders; did it accumulate, rather than distribute its earnings, so that surtaxes might be avoided? There is, of course, considerable argument as to what may be the "reasonable needs" of the corporate petitioner's business, and whether its accumulations exceeded that measure but, after all, that line of inquiry leads but to a rebuttable presumption granted by the statute as an aid to enforcement. The extensive record in this case would not justify the resting of it upon a presumption; the deeper question must be answered.

Respondent makes a strong case supporting his action in laying a tax under these sections, and maintaining his position under petitioner's attack. But it is a case based upon circumstantial evidence. He points out that in the beginning, Cecil deMille, his wife and their associates, had little with which to do business beyond the intelligence, professional skill, and reputation of deMille as a DIRECTOR of motion pictures. He argues that the initial earnings of the partnership which preceded this company, and since then, the greater part of the income both of the partnership and the corporation were gar-

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A. 809; affd., 62 Fed. (2d) 754; certiorari denied, 290 U. S. 635; Tway Coal Sales Co. v. United States, 3 Fed. Supp. 668; Williams Investment Co. v. United States, 3 Fed. Supp. 224; Keck Investment Co., 29 B. T. A. 143; William C. deMille Productions, Inc., 30 B. T. A. 826 (on review, C. C. A., 9th Cir.).

nered because of Cecil's personal earning power, based upon his recognized talents as a DIRECTOR.

Respondent points out further that the creation of the partnership distributed (so far as taxability was concerned) amongst several people the salary theretofore earned by, and taxable alone to deMille, and that Cecil's taxes thus were reduced. (Of course, the partners were taxed on their distributable shares of the firm's earnings.) The formation of the partnership, he argues, marked the first step in carrying out a conceived avoidance scheme.

Continuing, he calls attention to the fact that the corporation, this petitioner, was organized, took over the assets and the business of the partnership, not long after the Revenue Act of 1921 had freed corporate incomes from the war-time levies laid upon them, so that the share of profits on pictures accruing to this group under the contracts could be received by a corporation subject to a lower tax than that levied upon individual recipients. That result, he argues, proves that the company was FORMED for purposes of avoidance. And as proof that it was AVAILED OF for that purpose thereafter, respondent deems sufficient the fact that a large part of the company's earnings were from year to year accumulated as investemnts in securities, in real estate, and in numerous varied enterprises, many of which had little or no relation to the motion picture business. [86]

There is weight to respondent's argument. The facts are that substantial earnings which, at least in the beginning arose mainly from the personal

talents and efforts of one man, were turned into a firm; that later, a corporation was formed, and those earnings, together with assets previously bought with prior accumulations of them, were transferred from the firm to the company; that this corporation, although it distributed substantial amounts as salaries, along with some dividends, withheld from distribution to its shareholders a large part of its income. And, of course, the shareholders have not paid the surtaxes for which they would have been liable had they received as dividends the amounts so withheld.

But the taxes under these statutory provisions are not imposed because of effects; avoidance per se is not prohibited. It is the PURPOSE, the intention motivating a course of conduct, which is made controlling by the very words of the statute. Unless the PURPOSE was to prevent the imposition of surtaxes, the tax may not be imposed. Admittedly, circumstances may evidence a purpose, and circumstances such as we find here, without a further showing, justify the finding of the prohibited purpose at which these provisions are aimed.

However, there is a further showing in this case —one which cannot be disregarded, and which overweighs the evidence of purpose presented by the circumstances. DeMille, McCarthy, and Fisher, all connected with the first organization, the partnership, all having to do with the formation of the corporation, all serving thereafter as directors of the company (McCarthy until 1924; Fisher until 1926) testified. Under oath, each flatly denied that the company was formed for the purpose of pre-

venting the imposition of surtax upon its shareholders; or that it was availed of, or accumulated its profits for that purpose. They denied that the matter of tax avoidance by the shareholders was ever discussed, or that the possibility of such avoidance was ever a consideration in determining the disposition of the company's earnings. These denials remain unshaken by cross-examination. Of course, such denials are not entirely controlling. Perhaps they are to be expected, for without them there would be no controversy.

But the proof here goes well beyond mere denial of prohibited intent. It shows affirmatively a plan necessitating the accumulation of earnings and the end to which they might ultimately be used. The witnesses testified fully as to the purpose for which the company was formed—to create an organization for the independent production of pictures—and as to their purpose in accumulating, rather than distributing its earnings, and building a surplus—to enable that organization to finance its own productions. [87]

There is extensive evidence concerning the needs of the business, the necessity for a large surplus to meet the cost of its own productions in event of cancellation of the company's contracts, and concerning the friction and disputes which pointed to imminent cancellation, against which the only protection was that independence assured by an ample reserve. The testimony concerning the purpose for which the corporation was formed and the purpose for which its surplus was accumulated is corroborated by the

minutes of the meetings of the directors of the company—the contemporaneous record reflecting the company's activities and the reasons therefor.

We are not ready to disregard this testimony or to say that the recorded thoughts of the company's guiding heads, the writing of which was begun more than a decade ago, was artfully drawn for self-service against the future day of trial. Those denials of wrongful intent, those declarations of a purpose other than the avoidance of taxes in the building of a surplus, we believe, as against the evidence of circumstance from which might be drawn inferences to opposite effect.

Nor are we ready to say that the plans for the company and the purpose for which its surplus was accumulated were too far-fetched to be within the limits of reasonable business ambition. From the record it is apparent that the company, when producing under contracts for others, was beset with controversies and difficulties and frequently, if not constantly, endangered by the possibility of cancellation of its contracts. The desire and determination of the stockholders to advance the activities of their company from those of a producer under contracts, to those of an independnt producer, financed sufficiently to insure the making and marketing of its own pictures, seem not unreasonable.

Whether the money necessary to the realization of that determination is raised upon loans, by sale of stock, or by conservation of earnings seems immaterial, so long as the last plan does not result in an accumulation of profits unreasonable to the needs

of the business. In view of the evidence as to the costs of picture production, and as to the marketing hazards of the business which involve the risk that the talent and taste of the producer may not satisfy the public fancy, we cannot say that the surplus accumulated by this corporate petitioner was beyond that necessary to its ends. Consequently, for these reasons, we have made our finding, and hold that respondent erred in imposing upon petitioner the taxes provided by these sections of the statutes.

Because of divergence of facts—and each case involving this issue must bottom on its own facts—the prior decisions cited give little [88] support to respondent's determination. In some of the cases, the principal shareholders transferred to the corporations substantial amounts of income-producing properties, permitting the corporations thereafter to receive and accumulate those revenues, and thus immediately reducing their individual incomes and the taxes thereon. Not so here. Neither Cecil nor Constance deMille stripped themselves of assets. On the contrary, each owned substantial properties beyond their stock of petitioner, and each individually received the income therefrom.

In other cases, the controlling stockholders enjoyed the profits of the corporations by means of large loans to themselves, which they did not repay. Again, not so here. Constance deMille borrowed nothing from petitioner; Cecil ran a small open account which in 1927 was overpaid, and in addition borrowed on note. His initial indebtedness to the company was discharged by the transfer of real

estate. In 1924, the company owed deMille a net amount of $40,000. In 1925, Cecil owed it $10,000. The largest loan made him was in 1926—$90,000 at one time, and in the same year about $13,000 more. By the end of the next year he had repaid $48,000; in 1928 he repaid about $40,000 more, and in the next year petitioner owed him about $72,000.

We cannot but comment upon the attempt made by petitioner on brief to take much of our time with criticisms of the design and effect of the statutory provisions here involved. Such efforts are wasted. The laws are enacted by the Congress, not by us, and "arguments as to expediency, or of economic mistake or wrong in taxation" are here immaterial and have no place. Brushaber v. Union Pacific R. R. Co., 240 U. S. 1. Our sole duty is to see to it that the mandates of the statutes are followed in the cases brought to us for decision. As to petitioner's contentions respecting the unconstitutionality of the statute, these heretofore have been decided adversely.

Since Cecil and Constance deMille agreed, prior to 1924, that compensation for her personal services should be her separate income, respondent erred in including in Cecil's income for the years 1924 to 1927, inclusive, the salaries paid Constance by Productions. Howard C. Hickman, 27 B. T. A. 807; 70 Fed. (2d) 985.

Reviewed by the Board.

Judgment will be entered under Rule 50.

McMAHON, dissenting: It appears from the findings of fact that, from the organization of Cecil B. deMille Productions, Inc., through [89] the years before us, deMille and his associates adhered to the "purpose, which they had pursued as partners, namely, to save the company's earnings, to accumulate a fund sufficient so that the company might be able to produce its own pictures"; that "the usual method by which independent producers financed their pictures at that time" was by "borrowing money from distributors"; that "its personnel most of the time was carried on the payrolls of concerns with which his company made contracts"; that "it made no pictures except under contracts, and into the productions of such pictures it put no money of its own, the funds being supplied by the other parties to the contracts. Most of its picture profits were from productions personally directed by deMille, although some income came from about 30 pictures produced under his supervision"; and that "while the greater part of Productions' income was its share of picture profits received under its contracts, it dealt actively in securities, both listed and unlisted, and in real estate. It acquired a number of business properties which it let; it bought a theatre or two; it purchased several ranch properties, some used for the purposes of picture-making, others operated to some small extent for farming or fruit-growing. It sought to invest and lay aside all the money it could, and took interests in varied enterprises—Arizona cotton lands, oil development, a construction company, and others—some successful, and some not."

There is no showing that the accumulation of "the gains or profits" in question here was within "the reasonable needs of the business" activities of the corporation, numerous and diverse, as actually engaged in during the years before us; most of those business activities, all but one or two at best, were not germane to the production by it of pictures for others under contracts; and none of the other activities were essential to such production. In construing and applying the statute we are concerned with "the business", not a business, which was actually carried on; and in the last analysis the vital question here presented, in this respect, is as to whether its accumulation of "gains or profits" in order that it "might be able to produce its own pictures" in the future, which it had never done, instead of producing pictures for others under contract as it had always done, is within or "beyond the reasonable needs of the business" of the corporation as thus carried on. If it is beyond such "reasonable needs", then the respondent made out a prima facie case under the same subsection of the statute which is applicable and there arises another question as to whether petitioner has overcome the prima facie case made out by respondent.

In my opinion, as to the petitioner, Cecil B. deMille Productions, Inc., the facts establish "that the gains or profits" were permitted "to accumulate beyond the reasonable needs of the business", within [90] the meaning of section 220 of the Revenue Acts of 1924 and 1926, and section 104 of the Revenue Act of 1928, applicable here. The words "the busi-

ness" as there used mean the business as actually carried on at the time in question. These words do not mean business which the corporation is authorized to do but has not done. They do not mean business which the corporation merely wishes to do or even contemplates doing at some future time. They do not mean wholly new business or a wholly new phase of an old business which has never been actually engaged in. They do not mean a type of business activity which has never been engaged in by the corporation but which may or may not be engaged in at some future time so that an effort may be made to realize the personal ambition of a stockholder, however laudable, even though he be the moving spirit and genius of the corporation. They do not permit saving up money or accumulating surplus to be used at some future time in an effort to satisfy such ambition. The statute deals with the realities of "the business", as actually carried on, not with the hopes or aspirations of its stockholders. Any other construction of the statute would be unreasonable and beyond the ordinary meaning of its language. In the instant proceeding it affirmatively appears that the surplus in question was not necessary and was not accumulated to enable the corporation to carry on its business as carried on in the years before us, but it was "permitted to accumulate" to enable the corporation to do something different than was done in the years in question. During those years it did not produce pictures; it rendered services, personal in character, to others who did produce pictures; and it desired, thereafter, to

produce its own pictures, something quite different from merely rendering services to others who did produce pictures. This contemplated a departure from carrying on its business as it had been carried on in the years in question. Such accumulation is "beyond the reasonable needs of the business" within the meaning of the statute. Hence, we have here, under the same subsection of these statutes, "prima facie evidence of a purpose to escape the surtax."

In my view this prima facie case made by the respondent has not been overcome. I appreciate that there is a finding of fact that "Cecil B. deMille Productions, Inc., was not formed, nor, during the years 1924 to 1929, inclusive, was it availed of for the purposes of preventing the imposition of surtaxes upon its shareholders through the medium of permitting its gains and profits to accumulate, instead of being divided or distributed"; and that it is in effect stated in the opinion that the witnesses testified that the purpose in accumulating the earnings of the corporation and building a surplus was "to enable that organization to finance its own productions"; [91] but the majority opinion, in effect, holds, and in my opinion erroneously, that its "gains or profits" were "not permitted to accumulate beyond the reasonable needs of the business." I am unable to conclude that such finding would have been made if the majority had proceeded upon the theory that the corporation's "gains or profits" were "permitted to accumulate beyond the reasonable needs of the business." On the contrary, the

inescapable inference to be drawn is that the error of the Board in this respect induced the conclusion of fact which is reflected by the finding as made. Accepting the premise that the facts establish a prima facie case for the respondent, and taking into consideration the entire record, there is, in my opinion, no adequate basis for the majority's finding or conclusion to the effect that the corporation, during the years 1924 to 1929, inclusive, was not availed of for the purpose of preventing the imposition of the surtax upon "its shareholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed." Subsecton (a) and (b) of secton 220, supra.

Respondent has not only made out a prima facie case under the statute, but there is other evidence, some of which is circumstantial, which tends strongly to support his determination in this respect. Circumstantial evidence is often more convincing than categorical denials of purpose made long after the events occur, and so it is here. The majority opinion states that "of course, such denials are not entirely controlling. Perhaps they are to be expected, for without them there would be no controversy." The majority opinion does point out at full value in considerable detail many of the strong elements of the proof which tends to support respondent's contention. It is not necessary to impute perjury to any witness in reaching the conclusion which I have reached and I do not do so. To the extent that their denials are, in effect, conclusions of fact, which we must form from all of the

proof bearing upon the subject of purpose, they are not binding upon us. There is other proof upon the subject which is inconsistent with such conclusions of the witnesses. The only material result of consequence accomplished during the years before us by the accumulations in question is that each stockholder of the corporation has been enabled to "escape the surtax" in question; this result followed inevitably from what was done. It is elementary that intent, which is synonymous with purpose, is to be inferred from acts or conduct; and that it is presumed that the natural and necessary or probable consequences of acts, intentionally performed, are intended. It is apparent that the accumulations of surplus in question were accomplished with a high degree of intelligence on the part of those responsible for them. Of course, accumulations of surplus for a purpose which carried them "beyond the reasonable [92] needs of the business", such as we have here as pointed out herein, which is the very thing, in view of the statute, which establishes the prima facie case made out by the respondent, can not serve to overcome such prima facie case; they are "prima facie evidence of a purpose to escape the surtax."

As heretofore pointed out herein, there are findings that "the usual method by which independent producers financed their pictures at that time", was by "borrowing money from distribtuors"; and that "its personnel, most of the time was carried on the pay rolls of concerns with which this company made contracts." There is no showing that either of these

methods cannot be adopted when, as and if the corporation actually engages in producing its own pictures independently, instead of producing pictures for others. The corporation, with deMille dominating it as he did, was apparently quite resourceful in financing all of its activities without disturbing any of the surplus in question here.

In my opinion the prima facie case made out by the respondent, coupled with the proof which supports his contentions, has not been overcome by the proof which tends to support the contentions of the petitioners upon the subjects of the "reasonable" financial needs of "the business" of the corporation, or its purposes or those of its stockholders "to escape the surtax"; and, for the reasons herein set forth, I cannot agree with the majority in so far as they hold that any of the "additional" taxes in question herein, as specified in subsection (a) of section 220, supra, applicable here, are not to be imposed.

SMITH and ADAMS agree with this dissent.

[Seal.] [93]

[Title of Court and Cause.]

MOTION FOR DECISION UNDER RULE 50.

Now comes the Petitioner by its attorneys, Thomas R. Dempsey and A. Calder Mackay, and

Moves the Board to enter an order redetermining the income tax liability of the Petitioner for the years 1924, 1925, 1926, 1927, 1928 and 1929 in accordance with the decision of the Board promul-

gated January 31, 1935, and as set forth in the statement attached hereto.

This proposed redetermination is submitted in accordance with the decision of the Board.

THOMAS R. DEMPSEY
A. CALDER MACKAY
Attorneys for Petitioner,
1104 Pacific Mutual Building,
Los Angeles, California [94]

STATEMENT.

In re: Cecil B. deMille Productions, Inc.
Los Angeles, California.
Years 1924,
1925 Docket No. 52996
1926
Years 1927 Docket No. 61290
1928
Year 1929 Docket No. 65123

INCOME TAX LIABILITY.

Years	Tax Liability	Tax Assessed	Deficiency
1924	$ 21,752.65	$ 12,807.18	$ 8,945.47
1925	60,106.90	52,081.03	8,025.87
1926	72,734.44	66,488.73	6,245.71
1927	21,917.37	19,042.13	2,875.24
1928	108,974.66	85,979.30	22,995.36
1929	7,317.24	5,420.37	1,896.87
Totals	$292,803.26	$241,818.74	$50,984.52

1924

Net income per deficiency letter			$264,651.41
Deduct:			
Salaries:			
Constance A. deMille	$24,700.00		
Mrs. E. K. Adams	15,600.00		
Julia Faye	13,000.00		
		$53,300.00	
Maintenance of Laughlin Park		9,924.16	
Maintenance of Yacht		11,356.45	
Miscellaneous expense		1,377.87	
Depreciation buildings Laughlin Park		4,750.00	
Depreciation Yacht		9,921.75	90,630.23
Agreed net taxable income for 1924			$174,021.18
Tax liability 12½%		$21,752.65	
Tax previously assessed		12,807.18	
Deficiency in tax			$8,945.47

[95]

1925

Net income per deficiency letter			$646,138.52
Deduct:			
Salaries	$27,500.00		
Maintenance, Laughlin Park	5,975.18		
Maintenance, Yacht	13,647.62		
Traveling expense	2,750.42		
Kitchen expense	2,314.02		
Depreciation, buildings, Laughlin Park	4,818.69		
Depreciation, yacht	9,921.75		
Income transferred from 1925 to 1928	116,850.00		183,777.68
Agreed net taxable income for 1925			$462,360.84
Tax liability 13%		$60,106.90	
Tax previously assessed		52,081.03	
Deficiency in tax			$8,025.87

1926

Net income per deficiency letter			$615,134.09
Deduct:			
Salaries	$25,000.00		
Maintenance, Laughlin Park	5,695.77		
Maintenance, Yacht	25,481.89		
Horse expense and depreciation	2,179.28		
Kitchen expense	2,712.20		
Depreciation, buildings	4,874.50		
Depreciation, yacht	9,916.78		
Bad debts	500.00		76,360.42
Agreed net taxable income for 1926			$538,773.67
Tax liability 13½%		$72,734.44	
Tax previously assessed		66,488.73	
Deficiency in tax			$6,245.71

1927

Net income per deficiency letter			$227,368.25
Deduct:			
Salaries	$30,000.00		
Maintenance, Laughlin Park	9,292.75		
Maintenance, Yacht	16,028.45		
Kitchen expense	2,571.92		
Miscellaneous expense	1,830.00		
Depreciation	5,294.18		65,017.30

[96]

Agreed net taxable income for 1927			$162,350.95
Tax liability 13½%		$21,917.37	
Tax previously assessed		19,042.13	
Deficiency in tax			$2,875.24

Year 1928

Net income per deficiency letter			$736,744.65
Deduct:			
Salaries	$30,000.00		
Maintenance, Laughlin Park	4,437.94		
Maintenance, Yacht	16,647.96		
Kitchen expense	2,707.04		
Miscellaneous expense	4,625.00		
Depreciation	7,928.74		
Loss, California Air Const. Co.	10,000.00		
Bad debts	6,147.46		82,494.14
			$654,250.51
Add:			
Additional profit sale of Pathe Exchange, Inc., stock			253,871.68
Agreed net taxable income for 1928			$908,122.19
Tax liability 12%		$108,974.66	
Tax previously assessed		85,979.30	
Deficiency in tax			$22,995.36

Year 1929

Net income per deficiency letter			$136,445.98
Deduct:			
Salaries	$30,000.00		
Maintenance, Laughlin Park	9,921.58		
Maintenance, Yacht	17,491.55		
Kitchen expense	2,428.50		
Horse expense	2,052.09		
Yacht taxes	388.00		
Depreciation	6,643.84		
Story prices	1,000.00		69,925.56
Agreed net taxable income for 1929			$66,520.42
Tax liability 11%		$7,317.24	
Tax previously assessed		5,420.37	
Deficiency in tax			$1,896.87

[Endorsed]: Filed Mar. 11, 1935. [97]

[Title of Court and Cause.]

NOTICE OF SETTLEMENT.

The attached proposed determination of deficiency under the opinion of the United States Board of Tax Appeals decided January 31, 1935, will be presented the Board for settlement on the

This notice of proposed determination is submitted in accordance with the decision of the Board without prejudice to the Commissioner's right to contest the correctness of the decision pursuant to the statute in such cases made and provided.

(Signed) ROBERT H. JACKSON
Assistant General Counsel
for the
Bureau of Internal Revenue.

Of Counsel:
MASON B. LEMING,
Special Attorney,
Bureau of Internal Revenue.

tco
3-18-35 [98]

STATEMENT OF RECOMPUTATION

IT:AR:BTA-Recomp.
EJF

In re: Cecil B. deMille Productions,
Incorporated,
Los Angeles, California.
B.T.A. Docket: #52996

INCOME TAX LIABILITY.

Years	Income Tax Liability	Income Tax Assessed	Deficiency
1924	$ 21,752.65	$ 12,807.18	$ 8,945.47
1925	60,106.91	52,081.03	8,025.88
1926	72,734.45	66,488.73	6,245.72
Totals	$154,594.01	$131,376.94	$23,217.07

The United States Board of Tax Appeals, in its decision promulgated January 31, 1935, holds that the petitioner is not subject to tax under the provisions of section 220 of the Revenue Acts of 1924 and 1926.

1924

NET INCOME

Net income as reported in the sixty-day letter dated December 29, 1930		$264,651.41
Deduct:		
Adjustments to reflect the net income agreed upon and indicated in the Board's decision.		
1. Salaries	$53,300.00	
2. Expenses—maintenance of Laughlin Park	9,924.16	
3. Yacht maintenance	11,356.45	
4. Miscellaneous expenses	1,377.87	
5. Depreciation on buildings	4,750.00	
6. Depreciation on yacht	9,921.75	
		90,630.23
Net income as adjusted		$174,021.18

COMPUTATION OF TAX.

Net income as adjusted	$174,021.18
Amount subject to tax	174,021.18
Income tax at 12½%	21,752.65
Previously assessed	12,807.18
Deficiency in tax	8,945.47

EJF/NK [99]

1925

NET INCOME.

Net income as reported in the sixty-day letter dated December 29, 1930		$646,136.52
Deduct:		
Adjustments to reflect the net income agreed upon and indicated in the Board's decision.		
1. Salaries	$27,500.00	
2. Laughlin Park maintenance	5,975.18	
3. Yacht maintenance	13,647.62	
4. Miscellaneous expense	2,750.42	
5. Kitchen expense	2,314.02	
6. Depreciation on building	4,818.69	
7. Depreciation on yacht	9,921.75	
8. Profit on stock sold	116,850.00	183,777.68
Net income as adjusted		$462,360.84

COMPUTATION OF TAX.

Net income as adjusted	$462,360.84
Amount subject to tax	462,360.84
Income tax at 13%	60,106.91
Previously assessed	52,081.03
Deficiency in tax	$ 8,025.88

1926

NET INCOME.

Net income as reported in the sixty-day letter dated December 29, 1930		$615,134.09
Deduct:		
Adjustments to reflect the net income agreed upon and indicated in the Board's decision.		
1. Salaries	$25,000.00	
2. Laughlin Park maintenance	5,695.77	
3. Yacht maintenance	25,481.89	
4. Miscellaneous expense	2,179.28	
5. Kitchen expense	2,712.20	
6. Depreciation on building	4,874.50	
7. Depreciation on yacht	9,916.78	
8. Bad debts	500.00	76,360.42
Net income as adjusted		$538,773.67

EJF/NK [100]

COMPUTATION OF TAX.

Net income as adjusted	$538,773.67
Amount subject to tax	538,773.67
Income tax at 13½%	72,734.45
Previously assessed	66,488.73
Deficiency in tax	$ 6,245.72

EJF/NK

[Endorsed]: Filed Mar. 19, 1935. [101]

[Title of Court and Cause.]

NOTICE OF SETTLEMENT.

The attached proposed determination of deficiency under the opinion of the United States Board of Tax Appeals decided January 31, 1935, will be presented to the Board for settlement on the

This notice of proposed determination is submitted in accordance with the decision of the Board without prejudice to the Commissioner's right to contest the correctness of the decision pursuant to the statute in such cases made and provided.

(Signed) ROBERT H. JACKSON
Assistant General Counsel
for the
Bureau of Internal Revenue.

Of Counsel:
MASON B. LEMING,
Special Attorney,
Bureau of Internal Revenue.

tco
3-18-35 [102]

STATEMENT OF RECOMPUTATION.

IT:AR:BTA-Recomp.
EJF

In re: Cecil B. deMille Productions,
Incorporated,
Los Angeles, California.
B.T.A. Docket: #65123

INCOME TAX LIABILITY.

Year—1929.
Income Tax Liability—$7,317.25.
Income Tax Assessed—$5,420.37.
Deficiency—$1,896.88.

The United States Board of Tax Appeals, in its decision promulgated January 31, 1935, holds that the petitioner is not subject to tax under the provisions of section 104 of the Revenue Act of 1928.

NET INCOME

Net income as reported in the sixty-day letter dated March 1, 1932		$136,445.98
Deduct:		
Adjustments to reflect the net income agreed upon and indicated in the Board's decision.		
1. Salaries	$30,000.00	
2. Laughlin Park maintenance	9,921.58	
3. Yacht maintenance	17,491.55	
4. Kitchen expense	2,428.50	
5. Horse expense	2,052.09	
6. Yacht taxes	388.00	
7. Depreciation	6,643.84	
8. Story prizes	1,000.00	69,925.56
Net income as adjusted		$ 66,520.42

COMPUTATION OF TAX.

Net income as adjusted	$ 66,520.42
Amount subject to tax	66,520.42
Income tax at 11%	7,317.25
Previously assessed	5,420.37
Deficiency in tax	$ 1,896.88

EJF/NK

[Endorsed]: Filed Mar. 19, 1935. [103]

[Title of Court and Cause.]

NOTICE OF SETTLEMENT.

The attached proposed determination of deficiency under the opinion of the United States Board of Tax Appeals decided January 31, 1935, will be presented to the Board for settlement on the

This notice of proposed determination is submitted in accordance with the decision of the Board without prejudice to the Commissioner's right to contest the correctness of the decision pursuant to the statute in such cases made and provided.

(Signed) ROBERT H. JACKSON
Assistant General Counsel
for the
Bureau of Internal Revenue.

Of Counsel:
MASON B. LEMING,
Special Attorney,
Bureau of Internal Revenue.

tco
3-18-35 [104]

STATEMENT OF RECOMPUTATION.

IT:AR:BTA-Recomp.

EJF

In re: Cecil B. deMille Productions,
Incorporated,
Los Angeles, California.

B.T.A. Docket: #61290.

INCOME TAX LIABILITY.

Years	Income Tax Liability	Income Tax Assessed	Deficiency
1927	$ 21,917.38	$ 19,042.13	$ 2,875.25
1928	108,974.66	85,979.30	22,995.36
Totals	$130,892.04	$105,021.45	$25,870.61

The United States Board of Tax Appeals, in its decision promulgated January 31, 1935, holds that the petitioner is not subject to tax under the provisions of section 220, and section 104 of the Revenue Acts of 1926 and 1928, respectively.

1927

NET INCOME.

Net income as reported in the sixty-day letter dated November 17, 1931		$227,368.25
Deduct:		
Adjustments to reflect the net income agreed upon and indicated in the Board's decision.		
1. Salaries	$30,000.00	
2. Laughlin Park maintenance	9,292.75	
3. Yacht maintenance	16,028.45	
4. Kitchen expense	2,571.92	
5. Miscellaneous expense	1,830.00	
6. Depreciation	5,294.18	
		65,017.30
Net income as adjusted		$162,350.95

COMPUTATION OF TAX.

Net income as adjusted	$162,350.95
Amount subject to tax	162,350.95
Income tax at 13½%	21,917.38
Previously assessed	19,042.13
Deficiency in tax	$ 2,875.25

EJF/NK [105]

1928

NET INCOME.

Net income as reported in the sixty-day letter dated November 17, 1931		$736,744.65
Adjustments to reflect the net income agreed upon and indicated in the Board's decision.		
Add:		
1. Additional profit on stock sold		253,871.68
		$990,616.33
Deduct:		
2. Salaries	$30,000.00	
3. Laughlin Park maintenance	4,437.94	
4. Yacht maintenance	16,647.96	
5. Kitchen maintenance	2,707.04	
6. Miscellaneous expense	4,625.00	
7. Depreciation	7,928.74	
8. Loss—California Air Construction Company	10,000.00	
9. Bad debts	6,147.46	
		82,494.14
Net income as adjusted		$908,122.19

COMPUTATION OF TAX.

Net income as adjusted	$908,122.19
Amount subject to tax	908,122.19
Income tax at 12%	108,974.66
Previously assessed	85,979.30
Deficiency in tax	$ 22,995.36

EJF/NK

[Endorsed]: Filed Mar. 19, 1935. [106]

United States Board of Tax Appeals.
Washington, D. C.

Docket No. 52996.

CECIL B. deMILLE PRODUCTIONS, INC.,
Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

DECISION.

Respondent having filed under Rule 50, a proposed redetermination of deficiencies in this proceeding computed as in accordance with the Opinion of the Board promulgated January 31, 1935, and petitioner having agreed that this recomputation is correct, it is hereby

ORDERED AND DECIDED that there are deficiencies for the years and in amounts as follows:

1924	$8,945.47
1925	8,025.88
1926	6,245.72

[Seal] (Signed) J. RUSSELL LEECH,
Member.

Entered Apr. 16, 1935. [107]

United States Board of Tax Appeals.
Washington, D. C.

Docket No. 65123.

CECIL B. deMILLE, PRODUCTIONS, INC.,
Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

DECISION.

Respondent having filed under Rule 50, a proposed redetermination of deficiency in this proceeding computed as in accordance with the Opinion of the Board promulgated January 31, 1935, and petitioner having agreed that this recomputation is correct, it is hereby

ORDERED AND DECIDED that there is a deficiency in income tax for the year 1929 in the sum of $1,896.88.

[Seal] (Signed) J. RUSSELL LEECH,
Member.

Entered Apr. 16, 1935. [108]

United States Board of Tax Appeals.
Washington, D. C.

Docket No. 61290.

CECIL B. deMILLE PRODUCTIONS, INC.,
Petitioner,

v.

COMMISSIONER OF INTERNAL REVENUE,
Respondent.

DECISION.

Respondent having filed under Rule 50, a proposed redetermination of deficiencies in this proceeding computed as in accordance with the Opinion of the Board promulgated January 31, 1935, and petitioner having agreed that this recomputation is correct, it is hereby

ORDERED AND DECIDED that there are deficiencies in tax for the years and in the amounts as follows:

1927	$ 2,875.25
1928	22,995.36

[Seal] (Signed) J. RUSSELL LEECH,
Member.

Entered Apr. 15, 1935. [109]

[Title of Court and Cause.]

PETITION FOR REVIEW AND ASSIGNMENTS OF ERROR.

To the Honorable Judges of the United States Circuit Court of Appeals for the Ninth Circuit:

NOW COMES Guy T. Helvering, Commissioner of Internal Revenue, by his attorneys, Frank J. Wideman, Assistant Attorney General, Robert H. Jackson, Assistant General Counsel for the Bureau of Internal Revenue, and Mason B. Leming, Special Attorney, Bureau of Internal Revenue, and respectfully shows:

I.

The petitioner on review (hereinafter referred to as the Commissioner) is the duly authorized, qualified and acting Commissioner of Internal Revenue of the United States, holding his office by virtue of the laws of the United States. The respondent on review (hereinafter referred to as the taxpayer) is a corporation organized and existing under and by virtue of the laws of the State of California, with offices at Los Angeles, California. The taxpayer filed its income tax returns for the calendar years 1924 to 1930, inclusive, with the Collector of Internal Revenue for the Sixth District of California, whose [110] office is located in the City of Los Angeles, State of California, within the judicial district of the United States Circuit Court of Appeals for the Ninth Circuit.

II.

The Commissioner determined deficiencies in income taxes for the calendar years 1924 to 1926, inclusive, on December 29, 1930, for 1927 and 1928 on November 17, 1931, and for 1929 on March 1, 1932, in the respective amounts of $157,599.66, $363,-605.62, $334,871.25, $138,217.60, $387,599.80 and $104,423.60. On the respective dates above mentioned, in accordance with the provisions of Section 274 of the Revenue Act of 1926 and Section 272 of the Revenue Act of 1928, the Commissioner sent to the taxpayer by registered mail separate notices of said deficiencies. The taxpayer filed a separate appeal from each of said notices of deficiency with the United States Board of Tax Appeals.

The taxpayer's appeals to the Board of Tax Appeals were consolidated and heard by the Board December 13-16, 1933. On January 31, 1935, the Board of Tax Appeals promulgated its findings of fact and opinion in said appeals, 31 B.T.A. No. 207. On April 15 and 16, 1935, the Board of Tax Appeals entered its decisions and final orders of redetermination in said appeals wherein and whereby the Board ordered and decided that there are deficiencies in income taxes for 1924 to 1929, inclusive, in the respective amounts of $8,945.47, $8,025.88, $6,245.72, $2,875.25, $22,995.36 and $1,896.88. [111]

III.

The deficiencies in controversy before the Board of Tax Appeals for the calendar years 1924 to 1929,

inclusive, arose from the determination of the Commissioner that the taxpayer was subject to a 50% tax on its net income in each of said years under the provisions of Section 220 of the Revenue Acts of 1924 and 1926, and Section 104 of the Revenue Acts of 1928. There is no controversy concerning the amount of the net income in the respective years.

The taxpayer was incorporated under the laws of the State of California in May, 1922, to succeed a partenrship theretofore known as the Cecil B. deMille Productions, formed in August, 1920, and composed of Cecil B. deMille and his wife, Constance A. deMille, his wife's step-mother, Mrs. Adams, and his personal attorney, Neil S. McCarthy. For sometime prior to August 16, 1920, Cecil B. deMille had been employed by Famous Players-Lasky Corporation as a director of motion pictures for that company. On August 16, 1920, an agreement was entered into by said deMille with Famous Players-Lasky Corporation in which it was provided that the agreements theretofore existing between them were thereby cancelled and terminated. The contract recited that deMille "has at the time of the execution of this agreement executed an agreement with Cecil B. deMille Productions, a copartnership, for the distribution of certain motion pictures to be produced by" deMille. The contract further provided, however, that Mr. deMille, throughout the period of the said [112] agreement between Famous Players-Lasky Corporation and the

partnership, to wit, from August 16, 1920, to and including August 15, 1925, should remain as the director general of the Famous Players-Lasky Corporation and should render his services as such without compensation therefor other than what he might receive from Cecil B. deMille Productions by virtue of being one of the partners of said firm. The "FIRST" paragraph of the agreement between Famous Players-Lasky Corporation and the above-mentioned partnership provided in part that "each and all of such pictures shall during the course of their production and at and after their completion be and remain the property of the Distributor (Famous Players-Lasky Corporation) for the exclusive use of the Distributor in all parts of the world". The contract between the partnership and Famous Players-Lasky Corporation was entered into by the latter at the request of Mr. deMille and in it the partnership is referred to as the "Producer" and Famous Players-Lasky Corporation as the "Distributor". It provided, among other things:

> "THAT WHEREAS, Cecil B. deMille, one of the partners of the Producer, has heretofore been employed by the Distributor as a director of motion picture productions, and
>
> "WHEREAS, the Distributor is desirous of securing for itself motion picture productions which shall be directed by the said Cecil B. deMille, for the term hereinafter set forth, and
>
> "WHEREAS, a co-partnership has been

formed for the purpose of producing motion pictures to be directed solely by the said Cecil B. deMille, which said co-partnership is the Cecil B. deMille Production, herein called the Producer, and [113]

"WHEREAS, the said Cecil B. deMille has agreed to direct for said Producer not less than two (2) nor more than four (4) motion pictures each year for the period of five (5) years from August 16, 1920 to August 16, 1925.

"NOW THEREFORE, IN CONSIDERATION of the premises and of the sum of One Dollar ($1.00) by each of the parties hereto to the other in hand paid, the receipt whereof is hereby acknowledged, and of the mutual covenants and agreements herein set forth, the parties hereto do hereby agree as follows:

"FIRST: The Producer agrees to manufacture and produce not less than two (2) nor more than four (4) motion pictures each year for the term of this agreement, each of which shall be directed by Cecil B. deMille, personally, and to deliver all of the productions so directed by the said Cecil B. deMille for the Producer during said period, to the Distributor as and when the same are completed. * * *

"SECOND: The Distributor agrees to accept all the productions so directed by the said Cecil B. deMille and delivered to it by the Producer, * * *.

"THIRD: The Distributor shall furnish to the Producer, and the Producer shall be entitled to use as and when it shall desire the use of the same and at the actual cost to the Distributor thereof, all of the facilities and property of the Distributor to the full extent that the said Cecil B. deMille has heretofore been accustomed or privileged to use the same while in the employ of the Distributor, * * *. The Distributor shall also furnish to the Producer, without any additional charge therefor, the use of the quarters now occupied by the said Cecil B. deMille and the facilities in connection therewith, and two offices all in the studios of the Distributor at 1520 North Vine Street, Hollywood, California, for the use of the executive forces of the Producer.

"FOURTH: The Distributor agrees to pay all liabilities and obligations by the Producer incurred in the manufacture of each and all of the productions to be delivered to the Distributor under the terms hereof, as and when such liabilities, expenditures and obligations are due and payable, including all compensation and liability insurance, * * *. [114]

* * * * * * *

"SIXTH: The Distributor agrees to pay to the Producer quarterly thirty per cent (30%) of the net profits realized by the Distributor throughout the entire world from rentals from Exhibitors or sales of State Rights or any

other use or disposition of the same, for each of said productions, and the Distributor shall advance and pay to the Producer on account of said thirty per cent (30%) of the net profits, each week during the term of this agreement, the following sums, which the producer shall not under any conditions be obliged to repay to the Distributor, except that the same shall be charged against the thirty per cent (30%) of said net profits to be paid to the Producer. The first of said weekly payments shall be made August 21, 1920. Said payments shall be made as follows:

Thirty-five Hundred Dollars ($3500) per week for the first four (4) weeks of the term hereof;

Forty-five Hundred Dollars ($4500) per week for the next four (4) weeks of the term hereof;

Fifty-five Hundred Dollars ($5500) per week for the next four (4) weeks of the term hereof;

Sixty-five Hundred Dollars ($6500) per week for the remainder of the term of this agreement. * * *

* * * * * * *

"NINTH: Each and every of the pictures delivered to the Distributor under the terms hereof shall be advertised and publicized by it to the same extent and in the same general manner as is indicated by the advertising and

publicity given to the photoplay, 'Male and Female,' directed by Cecil B. deMille and marketed by the distributor, and in all publicity and advertising the name of said Cecil B. deMille shall receive such attention and prominence as was given to it in the advertising and publicity of 'Male and Female,' and each and every of the said pictures shall be announced as a 'Cecil B. deMille Production.' [115]

* * * * * * *

"ELEVENTH: The net profits from each of said productions shall be determined as follows:

"Each quarter from the gross income received by the Distributor from film rentals of each such production in the United States or Canada, or from film rentals or sales of State Rights in other countries, or any other use or disposition of the same, there shall be deducted, the cost of sales and distribution, the cost of negative, prints, publicity and advertising, overhead and federal and other taxes; the residue shall constitute the net profit.

"TWELFTH: It is the expectation of this agreement that the Producer shall receive and average minimum within twenty-four (24) months of Two Hundred Thousand Dollars ($200,00.00) as its thirty per cent (30%) of the net profits on each picture. In the event that at any time the Producer has not received in percentages or advances Two Hundred Thousand

Dollars ($200,000) multiplied by the number of motion pictures delivered hereunder which have been at that time released twenty-four months, then at that time (subject to the limitations hereinafter in his paragraph contained) the Distributor shall credit or advance as may be proper, to the Producer, a sum sufficient to equal an average of $200,000, multiplied by the number of pictures that have been released twenty-four months, a similar adjustment, if necessary, shall be made.

"It is agreed, however, that at no time shall the Distributor be obliged to credit or pay to the Producer any sum which would make the total advances, credits and payments to the Producer exceed One Hundred Per Cent (100%) of the net profits on all productions at the time of such adjustment; nor shall the Distributor be obliged to credit or pay any sum which would make the total advances, credits and payments exceed $200,000 per production, multiplied by the number of productions which have been released two years at that date.

"THIRTEENTH: The party of the second part covenants and agrees that it will produce no motion pictures except those deliverable hereunder, nor will it engage in any other business than the making of pictures to be delivered pursuant to this contract. It further guarantees and agrees that it will not permit the name of Cecil B. deMille to be announced as the maker,

director or supervisor, or as interested in the production of any motion [116] picture except those deliverable hereunder and it represents that it has a contract with said Cecil B. deMille for his exclusive services during the period of this contract.

* * * * * * *

"FIFTEENTH: The party of the second part hereby consents and agrees that if not previously paid, the party of the first part may deduct the sum of One Thousand Dollars ($1,000) each week beginning the 21st day of August, 1924, from the advances herein agreed to be made weekly, and shall in addition thereto deduct the amount of interest each week on any unpaid portion of the sum of Fifty Thousand Dollars ($50,000) owing by Cecil B. deMille to said Distributor, together with interest thereon at the rate provided for in the note now existing and executed in favor of the party of the first part by said Cecil B. deMille, to evidence said loan of $50,000.

"SIXTEENTH: The term of this agreement shall commence on the 16th day of August, 1920, and shall extend for a period of five (5) years, to wit: to and including the 15th day of August, 1925."

The following instructions, to the bookkeeping department, under the above contract, were formulated November 17, 1920:

"(1) All materials, gowns, props, etc., now in what is known as the DeMille Wardrobe Department, are to be carried on the books of the Lasky Company in a so-called Stock Account, and no rental for these shall be charged to the Cecil B. deMille Productions.

"(2) All gowns, props, etc., which are now made up ready for use may be used by the DeMille Productions without charge. All new materials which are later made up into gowns, props, etc., are to be charged to the DeMille Productions at actual cost. When gowns, props, etc., are once used and charged to the DeMille Productions, they may be used in future productions without charge unless re-made; in which event, the cost of re-making, plus the amount paid for any new materials used, shall constitute the charge.

"(3) Any purchases made for this Department for the deMille Productions, during the life of the contract, are [117] to be charged to this Stock Account, and are to be charged to a DeMille Production only when issued to and received by the Cecil B. DeMille Productions, and shall be returned to the DeMille Wardrobe Department, unless destroyed, and no charge shall be made to the Cecil B. DeMille Productions for the use of the same thereafter. They shall be sold or rented only by Cecil B. DeMille Productions, who shall have the complete authority to designate the times, persons and occasions to

whom or on which the same shall be sold or rented, and shall also have the authority to fix the prices for such sales or rentals, provided that it shall give one week's notice of such proposed sale or rental to the Famous Players-Lasky Corporation, and if it should be dissatisfied with the price of either the sale or rental thereof, it may rent the same for the same period of time, at the same figure, and in the event of it being dissatisfied at the price at which the Cecil B. DeMille Productions elects to dispose of the same, it shall have the right to purchase such articles at the same price. The monies obtained from the sale or rental of any such articles shall be credited to the picture then in course of production or to the next succeeding picture.

"(4) At the expiration of the contract, the wardrobe is to be left as nearly as will be practicable in the same condition as that now existing as to quantity and quality of new materials, gowns, props, etc., however, if it is destroyed by fire, it shall be replaced out of the insurance money as needed.

"(5) When artists are required for the DeMille Productions, Mr. deMille shall indicate what artists he needs, and if they are not in stock they are to be selected by Mr. deMille and engaged by the Famous Players-Lasky Company. When not in use in the DeMille Produc-

tions, the artists are to go into the Lasky stock and Lasky can use them when they are not required for the DeMille Productions, excepting individual artists whom Mr. DeMille wishes to hold for his pictures exclusively. When not in use in Mr. DeMille's pictures, they shall be charged to the Lasky overhead, nevertheless."

On February 19, 1921, the following memorandum was signed by Famous Players-Lasky Corporation and the partnership. [118]

"At the request of deMille Productions, the following procedure is outlined for the handling of weekly expenditures, in the making by deMille Productions of motion pictures for Famous Players-Lasky Corporation pursuant to existing contract.

"The western studio will continue as heretofore to pay for the various expenditure, both labor and material, and will notify the deMille Productions of such amount weekly. For this amount, the deMille Productions will reimburse the studio by their check. Simultaneously with the giving of the check, the deMille Productions will deposit a draft on the Famous Players-Lasky Corporation of New York with the Commercial National Bank of Los Angeles, wiring the comptroller of the amount.

"The Famous Players-Lasky Corporation will deposit a certified check with the Hanover National Bank of New York for the credit of the

Commercial National Bank of Los Angeles account of deMille Productions, with instructions to wire the Commercial National Bank by collect message. The Commercial National Bank will then mail the paid draft to the Famous Players-Lasky Corporation of New York. It is understood that changes may be made in the banks of the direction of the Producer.

"It is understood and agreed that nothing in the above procedure or in any accounting entries that may arise out of it, will in any way change or modify the existing agreement, that the pictures made by the deMille Productions are to remain, at all times, whether in process or finished, the property of the Famous Players-Lasky Corporation.

"It is also distinctly understood and agreed that the procedure outlined above covers only the direct charges made at the Studio, including studio overhead, and does not include the Home Office overhead and the other expenses outlined in the contract, such as cost of sales and distribution, prints, publicity, advertising, Federal and other taxes."

The contract of August 16, 1920, between Cecil B. deMille and the partnership, wherein deMille is called the "Artist", provided, in part, as follows:

[119]

"That the Partnership does hereby engage and employ the Artist, and the Artist does hereby covenant and agree to render and per-

form his services as a director of motion pictures and photoplays, to and for the partnership exclusively, for the period commencing August 16th, 1920, and extending to and including the 15th day of August, 1925. The Artist shall receive as full compensation for his services so rendered, a salary at the rate of Fifteen Hundred Dollars ($1500.00) per week."

The partnership capital consisted of $25,000.00 allocated as follows:

Cecil B. deMille	45%	$11,250.00
Constance A. deMille	25%	6,250.00
Ella King Adams	20%	5,000.00
Neil S. McCarthy	10%	2,500.00
	100%	$25,000.00

With the execution of the partnership agreement and of the contract between the partnership and deMille, between the partnership and Famous Players-Lasky Corporation, and between deMille and Famous Players-Lasky Corporation, on August 16, 1920, the partnership had in sight, over the period of time provided for in the contract, compensation for deMille's personal services as a director of motion pictures, to be financed by Famous Players-Lasky Corporation, a guaranteed amount of $1,666,000.00, consisting of $3,500.00 for each of the first four weeks, $4,500.00 for each of the next four weeks, $5,500.00 for each of the following four weeks

and $6,500.00 a week for the remainder of the term or 248 weeks. Out of the last-mentioned sum the partnership was to pay deMille, over the same period of time, an aggregate amount of only $390,000.00, or $1,500.00 a week for 260 weeks. [120] deMille procured an option, at the time the partnership was organized, from each member of the partnership whereby he had the privilege, for a period of six years, of acquiring the interest of each of them upon payment to them respectively of the amount specified as their contribution to the partnership capital. Concerning the options, deMille testified in substance he insisted upon the options upon the interests of the other parties to the partnership and at the prices which were fixed because he felt he was entitled at all times to be in a position to dominate the company and it was necessary that he should control those interests. deMille's attorney (McCarthy) testified "I believe the matter of giving options was my idea. Mr. deMille may have had the idea. I followed that practice in connection with many companies I became associated with. I have done it in other companies, to put the person who dominates the company in a position where he can not be taken advantage of."

McCarthy also testified that he did not receive his distributive share of the partnership income; that "there was no intention of paying it out", but that he believed he did pay an income tax on it; that the only distribution he ever received from the

partnership was a 100% dividend in 1922. The only earnings or profits distributed by the partnership to its shareholders during its existence was a 100% dividend amounting to $25,000.00 in the year 1922. This "dividend" was not the payment of "distributive shares" of income. [121]

The partnership was changed into a corporation and the assets of the partnership were transferred to the corporation (taxpayer) as of June 10, 1922.

The partnership assets were transferred to the taxpayer as of June 10, 1922, in exchange for 4,000 shares of its capital stock. A part of the assets transferred by the partnership to the taxpayer consisted of notes and accounts receivable in the amount of $145,247.45 due from Mr. deMille and from aviation corporations controlled by him.

No further capital was put into the taxpayer when it was formed and the assets taken over from the partnership consisted of the partnership's original capital and accumulated earnings. The contract between the partnership and deMille and the contract between the partnership and Famous Players-Lasky Corporation were transferred to the taxpayer and the contract between deMille and Famous Players-Lasky Corporation continued in force.

The application of the taxpayer to the Commissioner of Corporations, State of California, for authority to issue $400,000.00 par amount of its capital stock for the partnership assets set forth among other things, the following:

"IV.

"That the corporation has received, and subject to the approval of the Commissioner of Corporations has accepted an offer from CECIL B. deMILLE, CONSTANCE A. deMILLE, ELLA KING ADAMS and NEIL S. McCARTHY, being [122] the partners composing the CECIL B. deMILLE PRODUCTIONS, to transfer to this corporation the property hereinafter described, which description is as follows, to wit:

ASSETS.

Cash in Banks	30,000.00	
Securities & Investments	54,519.86	
Automobiles	5,190.00	
Furn. & Fixtures	230.00	
Props	24,371.50	
Scenarios & Picture Rights	10,000.01	
Loans Receivable	145,578.45	269,889.82

LIABILITIES.

Accounts payable 17,500.00

for Four Thousand (4,000) shares of the capital stock of this corporation, which said shares of stock shall include Five (5) Shares of stock subscribed for by the organizers of this corporation.

"V.

"That the net tangible assets of the said CECIL B. deMILLE PRODUCTIONS, after

deducting the liabilities of Seventeen Thousand Five Hundred Dollars ($17,500.00) are of the value of Two Hundred Fifty Two Thousand, Three Hundred Eighty-nine Dollars and Eighty-two Cents ($252,389.82).

"That the said CECIL B. deMILLE PRODUCTIONS, in addition to said physical assets described in the statement hereinbefore set forth, has a contract with CECIL B. deMILLE, wherein and whereby the said CECIL B. deMILLE has agreed for the period of Five (5) years from August 16, 1920, to direct motion pictures being produced by the said CECIL B. deMILLE PRODUCTIONS, and that the said CECIL B. deMILLE PRODUCTIONS has a contract with the FAMOUS PLAYERS-LASKY CORPORATION, wherein and whereby the said CECIL B. deMILLE PRODUCTIONS produces motion pictures for the said FAMOUS PLAYERS-LASKY CORPORATION and which are released and distributed by the said FAMOUS PLAYERS-LASKY CORPORATION. [123]

"That the valuation placed upon said assets hereinabove set forth, is the actual cost price of said property to the corporation.

"That the good will of the said CECIL B. deMILLE PRODUCTIONS, and the value of the said contracts hereinbefore described, and the other intangible assets of the said CECIL B. deMILLE PRODUCTIONS, all of which

are being transferred to said corporation by the said CECIL B. deMILLE PRODUCTIONS, a co-partnership, are of the value in excess of One Hundred and Fifty Thousand Dollars ($150,000.00).

"VI.

"That the said CECIL B. deMILLE PRODUCTIONS is owned by the following persons, in the following proportions to wit:

CECIL B. deMILLE owns a forty-five percent (45%) interest therein;

CONSTANCE A. deMILLE owns a twenty-five percent (25%) interest therein;

ELLA KING ADAMS owns a twenty percent (20%) interest therein;

NEIL S. McCARTHY owns a ten percent (10%) interest therein.

"VII.

"That the total value of all of the assets, including the contracts hereinbefore described, and the good-will of the said CECIL B. deMILLE PRODUCTIONS, a co-partnership, is of the value of at least Four Hundred Thousand Dollars ($400,000.00).

* * * * * * *

"IX.

"That the stock of said corporation will be owned by the present partners of the above mentioned partnership in the same proportion that the said partners own the respective interests in said partnership, except that JOHN H. FISH-

ER will own a qualifying share of stock in said corporation, which will be taken from the capital stock of the said CECIL B. deMILLE."

The capital stock of the taxpayer, consisting of 4,000 shares, was issued to the four members of the partnership in proportion to [124] their interests in the partnership. The record ownership of the stock of the taxpayer, as originally issued, was as follows: Cecil B. deMille, 1,800 shares; Constance A. deMille, 1,000 shares; Ella King Adams, 800 shares; Neil S. McCarthy, 399 shares, and John H. Fisher, (nominee of Cecil B. deMille) 1 share. Fisher did not pay anything for the share issued in his name and later relinquished it without compensation therefor. On April 24, 1924, deMille purchased the 400 shares held by his personal attorney, Neil S. McCarthy, and paid McCarthy therefor the sum of $2,500.00, the amount mentioned in the aforesaid option. The value of McCarthy's 400 shares as of January 1, 1924, as shown by taxpayer's books was $57,185.42. On February 9, 1926, deMille purchased, in like manner, the 800 shares held by Ella King Adams and paid to her $5,000.00, the amount mentioned in the option. The value of Mrs. Adams' 800 shares of stock as of January 1, 1926, as shown by taxpayer's books was $211,807.42.

Cecil B. deMille has been at all times and now is president of the taxpayer, Cecil B. deMille Productions, Inc.

The Cecil B. deMille Productions, Inc., (taxpayer) started business with the same assets and with the same contractual relations between itself

and Cecil B. deMille and between itself and Famous Players-Lasky Corporation as had obtained in the case of the partnership immediately prior to the change of the business from partnership to corporate character. The contract of August 16, 1920, with Famous Players-Lasky Corporation continued in force until succeeded by a new contract with the same company November 16, 1923. [125]

The contract of November 16, 1923, provided, among other things, as follows:

> "A contract is now in existence between the Distributor and the Producer, which said contract was originally entered into between the Distributor and CECIL B. deMILLE PRODUCTIONS, a co-partnership, as of the 16th day of August, 1920, and which contract was subsequently assigned to CECIL B. deMILLE PRODUCTIONS, INC., the Producer herein named, which said Producer has succeeded to all of the rights therein formerly held by CECIL B. deMILLE PRODUCTIONS, a co-partnership. Said contract is hereby terminated and cancelled and each of the parties hereto is hereby relieved from any and all liability and obligations of every kind thereunder, it being understood that the obligations to be performed on account of everything that has been done under said contract dated August 16, 1920, will be provided for herein.
>
> "It is agreed that the pictures 'AFFAIRS OF ANATOLE', 'SATURDAY NIGHT', 'FOOLS PARADISE', 'MANSLAUGHTER',

and 'ADAM'S RIB' shall be considered as having been produced under said agreement dated as of August 16, 1920, and that the picture 'THE TEN COMMANDMENTS' and all pictures hereafter produced during the term of this contract, shall be considered as having been produced under the terms of THIS agreement.

"All pictures produced under said agreement of August 16, 1920, shall be exhibited, distributed and publicized in accordance with the terms provided for herein for the exhibition, distribution and publicizing of pictures to be made under the terms of this agreement.

"In lieu of the compensation and guarantees provided for in said agreement of August 16, 1920, to be paid to the Producer for and on account of the pictures produced under said agreement of August 16, 1920, the Distributor shall, and promises and agrees to pay to the Producer, twenty per cent (20%) of the gross amounts heretofore or hereafter received by the Distributor throughout the entire world, from or on account of the distribution, sale and any other use or disposition of said productions, and of each of them, until the said gross amounts from each such picture, have reached the sum of ONE MILLION DOLLARS ($1,000,000) and to pay to the Producer, twenty-five per [126] cent (25%) of the gross amounts from each such pictures, over and above the sum of ONE MILLION DOLLARS ($1,000,000) so received by the Distributor.

* * * * * * *

"The Distributor shall, and promises and agrees to pay to the Producer for each and every picture produced under the terms of THIS agreement, commencing with the picture known as 'THE TEN COMMANDMENTS', fifteen (15%) per cent of the gross amounts, up to the sum of ONE MILLION DOLLARS ($1,000,000) received by the Distributor from or on account of the distribution, sale and any other use or disposition of said pictures and each of them, and shall pay to the Producer twenty-five per cent (25%) of the gross amounts over and above the sum of ONE MILLION DOLLARS ($1,000,000) so received on account of each and every one of said pictures, * * *

* * * * * * *

"The Distributor shall, and promises and agrees to pay to the Producer as an advance against the moneys which the Producer shall be entitled to receive on account of the said percentages, the sum of SIXTY SEVEN HUNDRED THIRTY ONE DOLLARS ($6731.00) on Saturday the 17th day of November, 1923, and $6731.00 on Saturday of each week thereafter during the period of this agreement, which said moneys so advanced to the Producer, the Producer shall not in any event, or under any conditions, repay, or be required or obliged to repay to the distributor.

* * * * * * *

"* * * and in all publicity and advertising the name of CECIL B. deMILLE shall receive

such attention and prominence as was given to it in the advertising and publicity of said pictures, and each and every of said pictures shall be announced as a 'CECIL B. deMILLE PRODUCTION.'

"The Producer covenants and agrees that it will produce no motion pictures except those deliverable hereunder, and it further guarantees and agrees that it will not permit the name of CECIL B. deMILLE to be announced as the maker, director or supervisor, or as interested in the production of any motion picture except those deliverable hereunder, and it represents that it has a contract with the said CECIL B. deMILLE for his exclusive services during the period of this contract. [127]

* * * * * * *

"Cecil B. deMille shall have supreme authority in the conduct and operation of the California studios of the Distributor subject only at all times to the authority of Mr. Jesse L. Lasky, provided, however, that any authority exercised by Mr. deMille shall, in the judgment of the said Cecil B. deMille, be for the best interests of the Famous Players-Lasky Corporation. Mr. deMille shall have supreme authority in all matters pertaining to the production of the pictures to be made by the Producer herein, so long as said pictures are made in compliance with the terms hereof.

* * * * * * *

"* * * the weekly advances of $6731.00 per week shall cease upon the death or incapacity of Cecil B. deMille as aforesaid."

At a meeting of taxpayer's board of directors December 23, 1924, Mr. deMille reported that under the contract with Famous Players-Lasky Corporation the taxpayer was making all the money and that the Famous Players-Lasky Corporation was most anxious therefore to negotiate some other arrangement. Mr. deMille was authorized to negotiate with Famous Players-Lasky Corporation for a new contract or for such changes in the old contract as they deemed advisable.

At a later meeting of taxpayer's board of directors on January 6, 1925, Mr. Fisher reported that Mr. deMille had not so far been successful, in his negotiations with the Lasky Corporation, looking to the making of a new contract. At a still later meeting of the board of directors January 20, 1925, Mr. Fisher reported that the contract between Famous Players-Lasky Corporation and the taxpayer had been cancelled and that Mr. deMille was making arrangements in [128] New York for the formation of a new organization for production and distribution of his and other pictures.

On February 13, 1925, a contract was entered into between the Cinema Corporation of America and its subsidiary as parties of the first part, sometimes therein referred to as the "Companies", and Cecil B. deMille Pictures Corporation, Cecil B. deMille Productions, Inc., (taxpayer) and Cecil B. deMille, individually, he being referred to in the contract as

the Producer. The said Cinema Corporation contract, of February 13, 1925, provided, among other things, that:

"WHEREAS, a contract is now in existence between the Producer (Cecil B. deMille) and the said Cecil B. deMille Productions, Inc., under and by virtue of which the Producer is required and obligated to perform his services for the said Cecil B. deMille Productions, Inc., and

"WHEREAS, as a part of this transaction the said Cecil B. deMille Productions, Inc., has agreed to release and relinquish its right to the services of the Producer in consideration of the payment of moneys and the performance of the other obligations herein set forth;

* * * * * * *

"The Producer shall be the Executive Head of the business and affairs of the Companies in California, subject in such executive position to the President and Board of Directors of the Parent Corporation, and he shall have complete and final authority in all matters pertaining to the pictures to be produced hereunder and to all other pictures which the Companies or either of them may make at any time during the term hereof; it being understood that the Companies shall not engage either directly or through any other person or corporation in the production of motion pictures other than the production of those herein provided to be made under the Producer. Nothing herein contained, how-

ever, shall be construed to abridge the rights and power of the Board of Directors of any [129] officer or officers acting under the power of such Board of Directors, or the executive committee thereof, to contract or arrange for the production by independent or other producers of pictures to be distributed through the Parent Corporation or any other Subsidiary Corporation or corporations of the Parent Corporation whether such productions be financed in whole or in part by the Companies or either of them.

"There shall be no person or officer of said Companies of equal or superior authority to the Producer in California, other than the President of the Parent Corporation, and no equal or superior officer or authority to that of Producer in any matters pertaining to the production of motion pictures hereunder, including the selection of stories or other literary compositions upon which the same shall be based wherever the same may be considered decided or carried out, and any and all decisions by the Producer in all matters of production shall be complied with and carried out by the corporation subject to the number of productions, the cost thereof and the cost of motion picture rights therefor as herein set forth.

* * * * * * *

"The Producer shall select the stories, compositions or other literary material required from time to time, and plan the pictures to be made

by the Companies hereunder during each picture year, and secure by purchase, contract or otherwise said material and the necesasry organization and articles for the production of the pictures herein provided for; all contracts for any of the above to be made in the name of the Parent Corporation or Subsidiary Corporation as the Parent Corporation shall from time to time determine. The Companies shall at all times furnish the funds necessary to satisfy the liabilities and/or obligations incurred in so doing, as and when the same shall be required, and shall pay and satisfy the said obligations and liabilities as they mature within the limitations herein.

* * * * * * *

"The Companies shall pay to the Producer the sum of Two Thousand Dollars ($2,000.00) per week each and every week during the term hereof beginning the 1st day of February, 1925.

[130]

"The said Cecil B. deMille Productions, Inc., does hereby sell, assign, transfer and set over, and relinquish and quit-claim unto the Parent Corporation and the Subsidiary Corporation any and all right, title, claim and interest of any and every kind, and nature, which it now has, upon and for the services of Producer as a Director and/or Producer of motion pictures under the terms of the contract of employment now existing between the said Cecil B. deMille Productions, Inc., and the said Producer, and

upon the further express condition and agreement that in the event that this agreement as between the said parent and subsidiary corporation on the one part and the said Producer on the other part is terminated at any time within the period of five years from the date hereof, that the services of said producer as director and producer of motion pictures shall thereupon revert to the said Cecil B. deMille Productions, Inc., and that the said Cecil B. deMille Productions, Inc., shall thereupon have the right to the said services of the said producer from the date of such termination of this agreement and for a period equal to the unexpired term of the contract now in existence between the said Producer and the said Cecil B. deMille Productions, Inc., and the said Producer does hereby agree in the event of such termination of this contract to so render and perform his services as a director and producer of motion pictures for the said Cecil B. deMille Productions, Inc., for such period of time, and upon and in accordance with all of the terms and conditions of said contract now in existence between the said Producer and the said Cecil B. deMille Productions, Inc.

"In consideration of the release and transfer and assignments and of the agreement herein set forth by the said Cecil B. deMille Productions, Inc., the said Parent and Subsidiary Corporations do hereby agree to pay to the said Cecil B. deMille Productions, Inc., the sum of forty-five Hundred Dollars ($4500) per week

each and every week beginning March 9, 1925, during and throughout the continuation of this agreement, and any extension or renewal thereof, and until the termination thereof, and during the period that the said Producer is engaged in rendering or performing any service fo the Companies or either of them.

* * * * * * *

"There shall be no obligation on the part of any one to repay, and the companies shall not, nor shall either of [131] them be entitled to recoup the payments of forty-five Hundred Dollars ($4500) per week made to the said Cecil B. deMille Productions, Inc., during the weeks and time that said Producer is engaged in directing the pictures required to be personally directed by him under the terms hereof.

* * * * * * *

"The Producer agrees that during the continuance of this agreement he will devote his entire time and attention to the performance of duties required of him hereunder, except such time as shall be required in connection with his own private investments.

* * * * * * *

"The producer hereby consents to the use of the name Cecil B. deMille as part of the name of the Subsidiary Corporation with the following reservations and upon the express conditions however that the use of said name shall continue only so long as this agreement continues in force and the said Cecil B. deMille continues in the employment of the said Compa-

nies and no longer; and that in the event of the termination of this agreement for any reason whatsoever or of the cessation or of the employment of said Cecil B. deMille by the said Companies under the terms hereof, that the name of the said subsidiary Corporation shall be changed and the name Cecil B. deMille shall be eliminated as a part thereof, and that the changing of said name shall be done immediately upon the cessation of said services or the termination of this agreement; and the Companies and each of them do agree that in the event of the termination of this agreement or the cessation of said services that they will not, nor either of them, have any right whatsoever to any further use of said name.

* * * * * * *

"The name of the Producer shall be included in any and all paid publicity and advertising issued by the Companies in connection with each and every of the pictures personally directed and/or supervised by the Producer, and the name of the Producer shall be in type of equal size with any other type used therein. The production shall be advertised and published in connection with all productions which he personally directs in a similar manner to the advertising of 'Manslaughter' directed by him for Famous Players-Lasky Corporation. [132]

* * * * * * *

"It is agreed that this contract is not made for the benefit of said Cecil B. deMille Produc-

tions, Inc., and it has no rights therein, except rights to receive the sums of money herein provided for, for so long a time as this contract is in full force and effect between the Producer and the Companies, and upon the termination hereof, to receive again the services of said Cecil B. deMille."

The contract between taxpayer and Cinema Corporation of America was terminated in 1927. Thereafter, on April 11, 1927, the taxpayer entered into a contract with Pathe Exchange, Inc., which provided in part as follows:

"PATHE EXCHANGE, INC., a New York corporation, herein called 'Pathe' and also included in the expression 'Companies'.

"CECIL B. DEMILLE PICTURES CORPORATION, a Delaware corporation, herein called 'Pictures ompany,' and also included in the expression 'Companies',

"CECIL B. DEMILLE PRODUCTIONS, INC., a California corporation, herein called 'Production Company', and

"CECIL B. DEMILLE, herein referred to as 'DeMille',

* * * * * * *

"SIXTH: deMille shall be the executive head and have final and complete authority in and supervision of all matters pertaining to the production of the motion pictures to be made hereunder as above provided and of all other motion pictures which the Pictures Company may make during the term hereof, subject to

the Board of Directors; and he shall also be the advisory head of any business organization which the Companies may at any time establish or maintain in California as distinguished from the production organization.

"SEVENTH: There shall be no person or officer of said Companies of equal or superior authority to that of deMille in any matter pertaining to the production of motion pictures [133] hereunder, and any and all decisions by deMille in all matters of such production shall be complied with and carried out by the Companies subject to the limitations placed upon the number of productions and the cost thereof as herein specified; provided, however, that deMille shall not, without express authority of the President or Chairman of the Board of Pathe, make any contract with any actor, actress, director, artist or employee for a period of more than one year, or at a salary in excess of $2,500 per week, or acquire any story, story rights, scenario, or other literary composition.

"EIGHTH: Pathe and/or the Pictures Company shall pay to deMille the sum of Two Thousand five hundred ($2,500) Dollars per week each and every week during the continuation hereof, beginning when this agreement is actually signed and acknowledged.

"NINTH: The Production Company does hereby sell, assign, transfer and set over and relinquish and quit-claim unto the Companies any and all right, title, claim and interest of

any and every kind and nature, which it now has upon and for the services of deMille as a director and/or producer of motion pictures under the terms of the contract of employment heretofore existing between Cecil B. deMille Productions, Inc., and deMille and under the contract dated February 13, 1925, upon the express condition and agreement that in the event this agreement as between the Companies on the one part and the said deMille on the other part, is terminated at any time, the services of deMille as director and producer of motion pictures shall thereupon revert to the said Production Company and that the said Production Company shall thereupon have the right to the said services of deMille from the date of such termination of this agreement, and for a period of five (5) years thereafter, and deMille does hereby agree in the event of such termination of this contract to so render and perform his services as a director and producer of motion pictures for the said Production Company for such period of time, and upon and in accoradnce with all of the terms and conditions of said contract heretofore is existence between the said deMille and the said Production Company. In consideration of the release and transfer and assignments and of the agreements herein set forth by the said Production Company and of other valuable considerations, the said Pathe and/or Pictures Company do hereby agree to pay to the said Production Company the sum

of [134] Five thousand ($5,000) per week each and every week beginning at the same time as the payment of the Two thousand five hundred ($2,500) Dollars weekly to deMille as hereinabove provided and continuing during and throughout the continuation of this agreement and any extension or renewal and until the termination thereof; * * *

* * * * * * *

"TENTH: DeMille agrees that during the continuance of this agreement he will devote his entire time and attention to the performance of the duties required of him hereunder, except such time as shall be required in connection with his own private investments and customary rest and vacation periods. He shall be entitled to such reasonable vacation periods as he shall deem advisable, consistent with his duties hereunder.

"ELEVENTH: deMille agrees that he will not during the term of this agreement devote any of his time or attention, or render any services in the production, distribution or direction of motion pictures for himself or for any person, firm or corpoation other than Pathe and the Pictures Company as herein provided.

"TWELFTH: deMille further agrees that he will not use or permit his name to be used in connection with any motion picture or motion picture enterprise except those covered by this agreement during the term of this agreement, or any extension thereof and except such uses

as are required in connection with pictures heretofore made.

* * * * * * *

"TWENTIETH: deMille and the Production Company hereby consent to the use of the name of Cecil B. deMille as part of the name of the Pictures Company with the following reservations and upon the express conditions, however, that the use of said name as part of the corporate name shall continue only so long as this agreement continues in force and the said Cecil B. deMille continues in the employment of the said Companies and no longer; and that in the event of the termination of this agreement for any reason whatsoever or of the cessation or of the termination of the employment of the said Cecil B. deMille by the said Companies under the terms hereof, the name of the said Pictures Company shall be changed and the name Cecil B. deMille shall be eliminated as a part thereof and that the changing of [135] said name shall be done immediately upon the cessation of said services or the termination of this agreement; and the Companies and each of them do hereby agree that in the event of the termination of this agreement or the cessation of said services, they will not, nor either of them, have any right whatsoever to any further use of said name, except that the Companies shall have the right to continue to use the said name on and in connection with any and all motion pictures made hereunder.

* * * * * * *

"TWENTY-SECOND: The name of deMille shall be included in any and all paid publicity and advertising issued by the Companies in connection with each and every of the pictures personally directer and/or supervised by him, and the name of deMille shall be in type of equal size with any other type used therein. deMille shall be advertised and publicized in connection with all productions which he personally directs in a similar manner to the advertising of 'The Volga Boatman' directed by him."

The Pathe contract was terminated by an agreement dated April 18, 1928, which provided in part as follows:

"The Companies shall pay, and as a part of the execution hereof have paid, to the said Productions Company the sum of Fifty Thousand Dollars ($50,000) in cash, the receipt whereof is hereby acknowledged.

* * * * * * *

"Pathe acquired certain policies of insurance on the life of deMille, which policies were originally issued at the request of the Famous Players-Lasky Corporation, and are in the following amounts, and with the following companies and bear the following numbers:

New York Life Insurance Company, No. 6070461	$50,000
Guardian Life Insurance Company, No. 308118	$50,000
Travellers Insurance Company, No. 343308	$100,000
New York Life Insurance Company, No. 6070462	$50,000
Guardian Life Insurance Company, No. 308117	$50,000
Mutual Life Insurance Company, No. 467669	$50,000

[136] Each of said policies has a cash surrender value computed according to the terms of said respective policies." (There follow certain alternative methods for handling the cash surrender value of these policies.)

* * * * * * *

"The companies shall pay to the Productions Company and to deMille the fixed money compensation amounting to a total of Seventy Five Hundred Dollars ($7500) per week as provided for in said agreement of April 11, 1927, up to the 1st day of May, 1928."

As a part of the arrangement under which the contract between the taxpayer and the Cinema Corporation of America was entered into, the taxpayer obtained an option to buy a studio and organized a corporation known as the Cecil B. deMille Pictures Corporation to which it immediately transferred the aforesaid option, together with certain equipment (acquired upon the termination of prior

contracts), and then exchanged the stock of the Pictures Corporation for stock in the Cinema Corporation of America. When the Cinema contract was terminated the taxpayer exchanged stock in the latter corporation for stock in the Pathe Exchange, Inc.

The taxpayer sold its stock in the Pathe Exchange during the year 1928 and derived a taxable gain upon said sale of $786,032.97.

In the year 1928 "sound" became a "vital factor" in the moving picture business. All silent equipment was junked over night and a completely new technique had to be developed; everybody had to start from scratch; studios that had cost so much money and all of their equipment were useless. Sound engineers took complete control of the industry. Every studio had to be completely rebuilt after the [137] development of sound; all the stages were useless or valueless; all of the lighting equipment was valueless. The taxpayer did not get some "anticipated profits" on pictures theretofore made, but it received in the case of each picture the amount of its guaranteed profit and sustained a capital loss of only $20,000.00 on silent equipment. In the case of those pictures which failed to make a profit the capital losses were sustained by the distributors and not by the taxpayer.

Prior to the termination of the Pathe contract in April, 1928, the taxpayer started negotiations with Metro-Goldwyn-Mayer Pictures Corporation with which it executed a contract for financing pictures July 31, 1928. The Metro-Goldwyn-Mayer Pictures

Corporation contract continued in effect beyond the last taxable year (1929) here involved. The contract provided in part as follows:

"WHEREAS, the parties hereto desire to contract for the production of three feature photoplays to be personally directed by Cecil B. DeMille, hereinafter referrer to as 'Mr. DeMille', * * *

"WHEREAS, said photoplays are to be produced, financed, and distributed, and the proceeds thereof apportioned subject to the terms and conditions hereinafter more particularly set forth;

* * * * * * *

"2. The producer represents and warrants that it has a contract with Mr. DeMille for the exclusive services of said Mr. DeMille during the entire period to be required for the production of the photoplays to be produced by the producer hereunder. The producer agrees that until all of the photoplays to be produced hereunder have been completed and delivered, neither the producer nor Mr. DeMille will [138] produce, or render any other services in connection with, any photoplays except those deliverable hereunder, and it further guarantees and warrants that until the completion and delivery of all of the photoplays to be produced hereunder it will not permit the name of Cecil B. DeMille to be announced as the maker, director, or supervisor, or as interested in the production of any motion pictures or photoplays, except those to be produced and financed hereunder and those heretofore pro-

duced, directed, or supervised by him. The producer does hereby specifically agree and guarantee that each of the photoplays to be produced hereunder will be directed solely and entirely by Mr. DeMille personally and that said Mr. DeMille will render such services in connection with the production of each of said photoplays as are usually and customarily performed by a producer and director in the motion picture industry, * * * it is agreed that Mr. deMille shall have and will be given sole and complete authority in any and all matters pertaining to the production of said photoplays, including the selection of the story, cast, and the selection and designing of any and all other things in connection therewith, the direction thereof, the cutting, titling, and assembling thereof, without any right of interference by anyone, but with the right on the part of Louis B. Mayer and Irving G. Thalberg to discuss matters of production with Mr. DeMille. It is distinctly understood and agreed, however, that the producer's and Mr. DeMille's judgment and discretion with reference to all matters and all acts in connection with which they or either of them are given authority under the provisions of this paragraph shall be exercised and done honestly and in good faith.

"3. * * * Mr. DeMille further agrees that at the request of Metro he will permit his voice to be recorded on films and records for the purpose of exploiting and advertising the photoplays to be produced hereunder, and that until all of said photoplays have been completed Metro

shall have the sole and exclusive right (subject only to rights heretofore granted by him with reference to photoplays heretofore produced) to use and reproduce such voice recordations and/or Mr. DeMille's name and photographs and other reproductions of his physical likeness for like purposes and not in connection with the advertising of any matter or thing except other productions made and/or distributed by Metro; and that Metro shall have the further right to make use of and reproduce Mr. DeMille's voice, name and photographs or other reproductions of his physical likeness for like purposes at all times during the exploitation and/or distribution of the photoplays to be directed by him hereunder. * * * [139]

* * * * * * *

"5. (a) It is understood and agreed that each of the photoplays to be produced hereunder shall be announced and advertised as having been produced by the producer and released through Metro. The name 'Cecil B. DeMille' shall be included in any and all paid publicity and advertising issued by Metro, in connection with each and every one of the photoplays produced under the terms hereof, and each such photoplay shall be announced as 'A Cecil B. DeMille Production', and in all such paid publicity and advertising, the name of Cecil B. DeMille shall be in type as large in all dimensions as any other type used therein.

* * *

* * * * * * *

"16. (a) The producer and/or Mr. DeMille agree to assign and/or cause to be assigned to Metro existing policies of insurance covering Mr. DeMille's life to the extent of Two Hundred Fifty Thousand Dollars ($250,000.00), but as a condition to such assignment Metro shall pay, or cause to be paid, the present cash surrender value of such policies, and in no event shall such policies be so assigned unless it shall be impossible for Metro to procure adequate insurance coverage on Mr. DeMille on a so-called 'term' basis at a lower rate of premium than is provided for in such existing policies. If after the completion of production of the photoplays to be produced hereunder the producer and/or Mr. DeMille should desire to have said existing policies re-assigned to them, or either of them, they shall pay to Metro such cash surrender value as such existing policies will have at the time of such re-assignment. If possible, Metro shall procure life insurance on a term basis covering Mr. DeMille to the extent of Two Hundred Fifty Thousand Dollars ($250,000.00), and Mr. DeMille, by his acceptance hereof, agrees to assist Metro by doing such act or acts and by signing such applications as may be reasonably necessary to procure such insurance; but such term insurance shall not be procured by Metro unless the cost thereof would be less than the cost of maintaining the existing policies hereinabove

referred to or unless said existing policies are not assigned to Metro. The cost of such insurance for the period covering the production of the photoplays to be produced hereunder shall be charged against the production cost of said photoplays proportionately; and any recovery derived from any policy [140] of insurance herein referred to shall be applied as is provided in paragraph 25 hereof for the application and apportionment of net receipts from the photoplays to be produced hereunder.

"(b) Should Metro desire to obtain life insurance covering Mr. DeMille to the extent of more than Two Hundred Fifty Thousand Dollars ($250,000.00), it shall have the right to do so and Mr. DeMille, by his acceptance hereof, agrees to assist Metro by submitting to the necessary medical examination and by doing such other act or acts as may be reasonably necessary to procure such insurance. The cost of such excess life insurance procured under the provisions of this subdivision (b) of paragraph 16 shall be borne and paid solely by Metro and shall not be charged to the cost of production of any photoplay. The proceeds of all such policies so procured under the provisions of this subdivision (b) of this paragraph 16 shall belong solely and exclusively to Metro and neither the producer nor Mr. DeMille shall have any right, title, or interest whatsoever in or to such policies or the proceeds thereof.

* * * * * * *

"(g) All funds thereafter accruing shall be called 'profits', and be divided between Metro and the producer as follows:

"(1') In the case of Class 'A' photoplays, sixty per cent (60%) thereof shall be retained by Metro and an amount equal to forty per cent (40%) thereof shall be paid to the producer.

"(2') In the case of Class 'B' photoplays, fifty per cent (50%) thereof shall be retained by Metro and an amount equal to fifty per cent (50%) thereof shall be paid to the producer.

* * * * * * *

"30. Should Mr. DeMille become incapacitated, by physical or mental disability or illness or otherwise, from rendering the services to be performed by him hereunder, and should such incapacity continue for an aggregate of periods of more than six (6) weeks, or for a continuous period of four (4) weeks after the commencement of photographing of any photoplay, Metro may abandon the production of such [142] photoplay, or, at its option, Metro shall have the right, but not the obligation, to complete such photoplay and to employ another director to direct the same. In any such case of incapacity, if Metro abandons the production of such photoplay the term of this agreement shall be extended for a period equivalent to the period or aggregate of periods of such incapacity, and the photoplay so abandoned shall not

constitute one of the three photoplays herein provided for, except for recoupment purposes, as hereinafter in this paragraph 30 expressly provided. If Metro elect to complete any photoplay and to employ another director to direct the same after such incapacity on the part of Mr. DeMille, then the photoplay so completed by Metro shall be and be deemed to be one of the three (3) photoplays to be produced hereunder. During any period of incapacity on the part of Mr. DeMille, Metro, at its option, may suspend all payment of compensation referred to in paragraph 13 hereof, but upon the resumption by Mr. DeMille of his services hereunder (if Metro shall not have abandoned production as to such photoplay) Metro shall proceed to make payments as herein provided. This agreement may likewise be terminated by Metro at any time in the event of Mr. DeMille's death. * * *

* * * * * * *

"39. The producer agrees that as a condition precedent to any obligation on the part of Metro hereunder the producer will obtain the signature and due acknowledgment of this agreement by Mr. DeMille at the bottom of this agreement after the word 'agreed', and the signature of Mr. DeMille so obtained and affixed hereto shall constitute a binding obligation and agreement on the part of Mr. DeMille to carry out and fulfill each and every obligation on his

part to be carried out and fulfilled pursuant to and as provided in this agreement."

The contract, last above mentioned, provided also for payments to the taxpayer of $5,000.00 per week.

The taxpayer's capital stock was held at the end of 1928 and 1929 as follows: [142]

Cecil B. deMille	5,994	shares
Constance A. deMille (wife)	2,000	"
Mrs. F. E. Calvin (Daughter of Cecil B. deMille)	200	"
Ella King Adams	2	"
Miss Rosson	2	"
A. G. King	2	"
Total	8,200	"

All of the operations of the partnership and of the taxpayer in the making of pictures were carried on, in turn, under the said contracts with Famous Players-Lasky Corporation, Cinema Corporation of America, Pathe Exchange, Inc., and Metro-Goldwyn-Mayer Pictures Corporation. Although the partnership and the taxpayer corporation were frequently designated "Producer", all costs of producing and distributing the motion pictures were borne by Famous Players-Lasky Corporation, Cinema Corporation of America, Pathe Exchange, Inc., or Metro-Goldwyn-Mayer Corporation in turn. The taxpayer did not finance any of the pictures produced by it. The entire income of the partnership, during the period of its existence, resulted from

the weekly payments and royalties paid to it by Famous Players-Lasky Corporation for Mr. deMille's personal services and from the investment of those amounts; the entire income of the taxpayer from the date of its incorporation to and including December 31, 1929, resulted from the personal services of Cecil B. deMille as a director, and from the investment of the sums so received.

The taxpayer's compensation, under the sundry contracts, consisted in each instance of a sum of money advanced to it each week, [143] characterized as advances against profits. These sums were not under any circumstances refundable to distributors; they became the property and income of taxpayer when received regardless of what ultimately happened to the picture itself; they did not become charges against costs of pictures. "Profits", for the purpose of computing taxpayer's compensation, in excess of its guaranteed compensation, consisted of the excess of receipts of a picture over its cost (deMille's salary as director was not added to "cost"). Mr. deMille characterized his own salary as "advanced profits" which could not be charged against the negative cost of a picture. The taxpayer received a guaranteed profit in the case of each picture regardless of whether or not it grossed more than cost.

Weekly "advances" to the taxpayer direct, as provided in the several contracts, against agreed percentages of profit, which were not "under any conditions" repayable or refundable to the dis-

tributors, were paid to the taxpayer and reported in its income tax returns as follows: 1924, $351,629.00 at $6,731.00 per week for 52 weeks (and a fraction of a week); 1925, $256,310.00 at $6,731.00 per week for 10 weeks from Famous Players-Lasky and $4,500.00 per week for 42 weeks from Cecil B. deMille Pictures Corporation; 1926, $234,000.00 at $4,500.00 per week for 52 weeks from Cecil B. deMille Pictures Corporation; 1927, $248,000.00 at $4,500.00 per week for 24 weeks and $5,000.00 per week for 28 weeks; 1928, $309,652.99 at $5,000.00 per week for 18 weeks; $833.35 for 1 day at the rate of $5,000.00 per [145] week; $50,000.00 in settlement of cancellation of contract with Pathe Exchange, Inc.; equipment of the value of $100,000.00 and cash surrender value of insurance policies, $18,819.64 also received in connection with cancellation of said Pathe Exchange, Inc., contract; and $5,000.00 per week for 10 weeks under Metro-Goldwyn-Mayer Corporation contract; 1929, $150,000.00 at $5,000.00 per week for 30 weeks; aggregating in all $1,549,591.99. During 1925 to 1929, inclusive, additional payments of profits on the pictures were made to and received by the taxpayer as follows: 1925, $308,503.03; 1926, $387,086.06; 1927, $39,930.68; 1928, $108,571.73; 1929, $293,481.77; total for the period $1,137,573.27. Grand total of profits on pictures for 1924 to 1929, inclusive, $2,687,165.26.

The following is a summary of the taxpayer's agreed net taxable income in each year as per stipulation; also surplus and net worth at the end of each year adjusted to reflect the correct net income:

Year	Agreed Net Taxable Income	Dividends Paid	Surplus at end of year	Net worth at end of year
1924	$174,021.18		$ 309,366.66	$ 709,366.66
1925	462,380.84	$ 4,000.00	708,730.14	1,108,730.14
1926	538,773.67	40,000.00	1,136,129.30	1,536,129.30
1927	162,350.95	40,000.00	1,239,403.97	1,639,403.97
1928	908,122.19	56,000.00	1,568,477.56	2,368,477.56
		(Stock dividend	$400,000.00)	
1929	66,520.42	48,000.00	1,606,515.33	2,406,515.33

IV.

The Commissioner says that in the record and proceedings before the Board of Tax Appeals and in the decisions and final orders of [145] redetermination rendered and entered by the Board of Tax Appeals, manifest errors occurred and intervened to the prejudice of the Commissioner and the Commissioner assigns the following errors and each of them, which he avers occurred in the record, proceedings, decisions and final orders of redetermination and upon which he relies to reverse the said decisions and final orders of redetermination so rendered and entered by the Board of Tax Appeals, to wit:

1. The Board erred as a matter of law in finding and deciding that the taxpayer was not formed nor, during the years 1924 to 1929, inclusive, availed of for the purpose of preventing the imposition of surtaxes upon its shareholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed.

2. The Board erred as a matter of law in failing and refusing to find and decide that the taxpayer

was formed for the purpose of preventing the imposition of the surtax upon its shareholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed in each of the years from 1924 to 1929, inclusive.

3. The Board erred as a matter of law in failing and refusing to find and decide that the taxpayer was availed of for the purpose of preventing the imposition of the surtax upon its shareholders through the medium of permitting its gains and profits to accumulate instead of being divided or distributed in each of the years from 1924 to 1929, inclusive. [146]

4. The Board erred as a matter of law in finding and deciding that during the years 1924 to 1929, inclusive, the taxpayer was not a mere holding or investment company.

5. The Board erred a matter of law in failing and refusing to hold and decide that the taxpayer was a mere holding or investment company during the years 1924 to 1929, inclusive.

6. The Board erred as a matter of law in holding and deciding that the taxpayer's gains and profits were not permitted to accumulate beyond the reasonable needs of its business.

7. The Board erred as a matter of law in failing and refusing to find and decide that the words "the business" as used in Section 220 of the Revenue Acts of 1924 and 1926 and in Section 104 of the Revenue Act of 1928 mean the "business" actually carried on at the time or times in question.

8. The Board erred as a matter of law in failing and refusing to find and decide that the surplus of the taxpayer in each of the years from 1924 to 1929, inclusive, was not necessary and was not accumulated to enable the taxpayer to carry on its business in the said years.

9. The Board erred as a matter of law in failing and refusing to hold and decide that the taxpayer's gains and profits were permitted to accumulate beyond the necessary needs of "the business", and that that fact is prima facie evidence of the purpose to escape surtax. [147]

10. The Board erred as a matter of law in failing and refusing to hold and decide that the taxpayer did not overcome the prima facie evidence of the purpose to escape surtax.

11. The Board erred as a matter of law in not according to the Commissioner's determination a presumption of prima facie correctness.

12. The Board erred as a matter of law in treating the issue in controversy as though the burden of proof were upon the Commissioner.

13. The Board erred as a matter of law in holding and deciding that the Commissioner erred in imposing upon the taxpayer the taxes provided by Section 220 of the Revenue Acts of 1924 and 1926 and Section 104 of the Revenue Act of 1928.

14. The Board erred as a matter of law in finding and deciding that the concerted aim of the partners was to accumulate a fund with which they might finance their own productions.

15. The Board erred as a matter of law in finding and deciding that from the organization of the taxpayer throughout the time here material deMille and his associates, as directors of the taxpayer, continued the aim and purpose they had pursued as partners, namely, to save the taxpayer's earnings to accumulate a fund sufficient so that the taxpayer might be able to produce its own pictures.

16. The Board erred as a matter of law in holding and deciding that the taxpayer's accumulation of gains or profits that it might be able to produce its own pictures in the future was within the [148] reasonable needs of the business as actually carried on in the years 1924 to 1929, inclusive.

17. The Board erred as a matter of law in holding and deciding that the "flat" denials of deMille, McCarthy and Fisher that the taxpayer was formed or availed of for the purpose of preventing the imposition of surtaxes upon its shareholders or that it accumulated its profits for that purpose overweighs the evidence of purpose presented by the circumstances.

18. The Board erred as a matter of law in holding and deciding that there is extensive evidence concerning the needs of "the business", the necessity for a large surplus to meet the cost of its own production in event of cancellation of taxpayer's contracts, and concerning the friction and disputes which pointed to imminent cancellation, against which the only protection was that independence assured by an ample reserve.

19. The Board erred as a matter of law in holding and deciding that because of the costs of picture production, the marketing hazards of the business and the risk that the talent and tastes of the producer might not satisfy the public fancy, the surplus accumulated by the taxpayer was not beyond that necessary to its ends.

20. The Board erred as a matter of law in failing and refusing to find and decide that there is no showing here that the accumulation of the gains or profits in question was within the reasonable needs of the business engaged in by the taxpayer during the years 1924 to 1929, inclusive. [149]

21. The Board erred as a matter of law in failing and refusing to hold and decide that Section 220 of the Revenue Acts of 1924 and 1926 and Section 104 of the Revenue Act of 1928 have reference only to "the business" of the taxpayer as actually carried on.

22. The Board erred as a matter of law in failing and refusing to find and decide that the taxpayer's accumulation of gains and profits was beyond the reasonable needs of its business in each of the years from 1924 to 1929, inclusive.

23. The Board erred as a matter of law in failing and refusing to find and decide that the gains and profits of the taxpayer were permitted to accumulate beyond the reasonable needs of its business within the meaning of Section 220 of the Revenue Acts of 1924 and 1926 and Section 104 of the Revenue Act of 1928 in each of the years 1924 to 1929, inclusive.

24. The Board erred as a matter of law in finding and deciding that the taxpayer was not availed of for the purpose of preventing the imposition of surtax upon its shareholders, during the years 1924 to 1929, inclusive, through the medium of permitting its gains and profits to accumulate instead of being divided or distributed.

25. The Board erred as a matter of law in that its decision is not supported by the evidence.

26. The Board erred as a matter of law in basing its decision in whole or in part upon incompetent and inadmissible evidence, the receipt of which the respondent objected to and excepted at the time [150]

27. The Board erred in determining that the deficiencies in tax due from the taxpayer are in the amounts of $8,945.47, $8,025.88, $6,245.72, $2,875.25, $22,995.36 and $1,896.88 for the years 1924 to 1929, respectively.

28. The Board erred in not determining that the deficiencies due from the taxpayer are in the amounts of $95,956.06, $239,206.30, $275,632.56, $84,050.73, $477,056.45 and $35,157.09 for the years 1924 to 1929, respectively.

WHEREFORE, The Commissioner petitions that the decisions of the Board of Tax Appeals be reviewed by the Unitd Stats Circuit Court of Appeals for the Ninth Circuit, and that a transcript of the record be prepared in accordance with the law and with the rules of said Court and transmitted to the Clerk of said Court for filing, and that appropriate

action be taken to the end that the errors complained of may be reviewed and corrected by said Court.

(Signed) FRANK J. WIDEMAN
Assistant Attorney General

(Signed) ROBERT H. JACKSON
Assistant General Counsel for the Bureau of Internal Revenue

Of Counsel:
MASON B. LEMING,
Special Attorney,
Bureau of Internal Revenue. [151]

United States of America,
District of Columbia—ss.

MASON B. LEMING, being duly sworn, says that he is a Special Attorney for the Bureau of Internal Revenue and as such is duly authorized to verify the foregoing petition for review; that he has read said petition and is familiar with the contents thereof; that said petition is true of his own knowledge except as to the matters herein alleged on information and belief, and as to those matter he believes it to be true.

(Signed) MASON B. LEMING

Sworn and subscribed to before me this 13 day of May, 1935.

(Signed) GEORGE W. KREIS
Notary Public.

My commission expires Nov. 16, 1937.

[Endorsed]: Filed Jul. 1, 1935.

[Title of Court and Cause.]

NOTICE OF FILING PETITION FOR REVIEW.

To: Cecil B. deMille Productions, Inc.,
c/o Metro-Goldwyn-Mayer Studios,
Culver City, Calif.

A. Calder Mackay, Esq.,
Thomas R. Dempsey, Esq.,
1104 Pacific Mutual Bldg.,
Los Angeles, Calif.

You are hereby notified that the Commissioner of Internal Revenue did, on the 1st day of July, 1935, file with the Clerk of the United States Board of Tax Appeals, at Washington, D. C., a petition for review by the United States Circuit Court of Appeals for the Ninth Circuit, of the decision of the Board heretofore rendered in the above entitled cases. A copy of the petition*er* for review and the assignments of error as filed is hereto attached and served upon you.

Dated this 1st day of July, 1935.

(Signed) ROBERT H. JACKSON
Assistant General Counsel
for the
Bureau of Internal Revenue.

Personal service of the above and foregoing notice, together with a copy of the petition for review

and assignments of errors mentioned therein, is hereby acknowledged this 6th day of July, 1935.

CECIL B. deMILLE PRODUCTIONS, INC.

(By) (Sgd) GLADYS, ROSSON, Sec'y
Respondent on Review

(Sgd) THOMAS R. DEMPSEY
(Sgd) A. CALDER MACKAY
Attorneys for Respondent on Review.

tco 7-1-35.

[Endorsed]: Filed Jul. 15, 1935. [153]

[Title of Court and Cause.]

STATEMENT OF EVIDENCE.

The following is a statement of evidence in narrative form in the above-entitled cause. This cause came on for hearing before the Honorable Edgar J. Goodrich, Member of the United States Board of Tax Appeals, on December 13, 14, 15 and 16, 1933. A. Calder Mackay appeared on behalf of the petitioner, and Mason B. Leming, R. Bopp, and J. E. Miller, (E. Barrett Prettyman, General Counsel, Bureau of Internal Revenue), appeared on behalf of the respondent.

Before any witness was called to testify the taxpayer offered and there was received in evidence as its Exhibit No. 1 a certified copy of the taxpayer's Articles of Incorporation.

Whereupon,

RUSSELL TREACY

was called as a witness by and on behalf of the petitioner and, having been first duly sworn, was examined and testified as follows:

Direct Examination.

I am a bookkeeper for Cecil B. deMille Productions, Inc. and have been for a number of years. I have the stock certificate book in my hands, of the Cecil B. deMille Productions, Inc. The total number of shares issued by the Cecil B. deMille Productions, Inc. in 1922 was [154] 4,000 shares. 1,800 shares were issued to Mr. deMille, 1,000 shares to Mrs. deMille; 800 shares to Mrs. E. K. Adams; 399 shares to Mr. Neil McCarthy; and one share to John H. Fisher. That record shows some cancellation of stock certificates. That stock issue remained as I have stated it, from 1922 until 1924. There was a change in 1924. The same number of shares remained issued at the end of the year 1924. Mr. McCarthy's stock was sold to Mr. deMille in 1924. That was the only change. At the end of 1924 Mr. deMille owned 2,199 shares. The stockholdings at the end of 1925 was the same. At the end of 1926 Mr. deMille bought Mrs. Adams' stock, 799 shares of her stock, leaving her with one share. At the end of 1927 was the next change in the stock ownership. The records show Mr. deMille owned 2,898 shares at the end of 1927; Mrs. deMille a thousand shares; Miss Rosson one share; Mr. A. G. King,

(Testimony of Russell Treacy.)

one share; and Mrs. F. E. Calvin, 100 shares. The stock was increased in 1928, 8,000 shares. Mr. deMille owned 2,800 shares—that is wrong—Mr. deMille owned 5,994 shares. Mrs. Constance A. deMille owned 2,000 shares. Mrs. F. E. Calvin owned 200 shares. Mrs. E. K. Adams owned 2 shares. Miss Gladys Rosson owned 2 shares. Mr. A. G. King owned 2 shares. The stock in subsequent years was owned in the same proportion, according to these records. In 1930 there was one share sold to Mr. F. E. Calvin. Mr. A. G. King's share in 1930 was sold to Mr. Calvin. I have now in my hand the stock book of the Cecil B. deMille Productions, Inc., from which I have been testifying. I have the books of the Cecil B. deMille Productions, Inc. in the court room from 1924 to 1932, inclusive. Those are the books of [155] account of the corporation. There was prepared under my direction and I checked a statement showing the comparative balance sheets of the Cecil B. deMille Productions, Inc. for those years and also a profit and loss statement and a statement of funds provided and application, and accounts and notes receivable, stocks and bonds, and real estate operations, etc. This is a true copy of the accounts as appears in the books of the Cecil B. deMille Productions, Inc. The one I have in my hand now relates only to the years 1924 to 1929, inclusive. I prepared another document here of the same general tenor relating to the years 1930 to 1932, or had this prepared under my

(Testimony of Russell Treacy.)

direction from the books of the corporation and the statements here have been checked against the books and clearly reflect what the books show.

Whereupon petitioner's counsel offered in evidence the document described by the witness relating to the years 1924 to 1929.

Continuing, the witness testified as follows:

Cross Examination.

This statement that has been offered in evidence, covering the comparative balance sheets and other matters from 1924 to 1929, inclusive, was prepared by me, under my supervision. These figures represent a copy of my books, my records. Referring to the first seven pages of that statement, Exhibit A, that is the comparative balance sheet for 1923 and 1924. Now, counting that sheet and the next six sheets, which would account for the first seven sheets in my statement, all of those sheets are a precise reflection of entries on the books of the corporation. The next is Exhibit B. Exhibit B precisely reflects the entries on the books. Take Exhibit C, statement of funds provided [156] and application of the Cecil B. deMille Productions, Inc., appears in the books of the corporation under income and under expenses.

Continuing the witness testified further on cross-examination as follows:

Q. I will ask you if it is not a fact that that exhibit represents an interpretation of the books?

(Testimony of Russell Treacy.)

A. It is made up from——

Q. (Interposing) It does not reflect entries in the books?

A. It reflects certain entries in my books, certainly.

The MEMBER: What is it? Is it in the nature of a recapitulation?

Mr. MACKAY: That is it. Just explanatory.

Mr. LEMING: I do not know whether it is or not, if your Honor please.

The MEMBER: All right. Find out.

Mr. LEMING: That is the very thing I am trying to find out.

The MEMBER: Ask him.

Mr. LEMING: I have just asked him this, if it was simply an interpretation of the books. Is that right (addressing the witness)?

The WITNESS: Yes.

By Mr. LEMING:

Q. Then it is not simply some part of the entries of the books which you put in?

A. It is part of the entries of the books.

Mr. LEMING: Will you get the books and let us see where it is? If your Honor please, I do not like to take this time. On the other hand, I do not wish to let go into the record a voluminous thing of that sort which contains argumentative figures rather than a mere reflection of what the books show.

(Testimony of Russell Treacy.)

The MEMBER: It is quite right that you should assure yourself of what these items are but I wonder if I give you gentlemen a few minutes if you can not take these books and examine them [157] and satisfy yourself as to the contents of this compilation without taking the time of putting all of this into the record.

Mr. LEMING: I will be glad to do that if we may.

The MEMBER: Very well. Take your witness and your books and get in the corner for a few minutes:

(At this point a recess was taken after which proceedings were resumed as follows:)

Mr. MACKAY: If your Honor please, I neglected to go into great detail in explaining these various schedules at the time I offered the document because I was under the impression that counsel had checked it. I had given him the statement from two weeks ago. I should like to make this statement for the record, that Exhibit C of this proposed document is entitled, "Cecil B. deMille Productions, Inc., statement of funds provided and application." This statement was prepared from the other facts and figures in the rest of the statement. It is our conclusion as to what the funds were applied to, where they went, etc., and I think we have explained——

The MEMBER: (Interposing) Is it your conclusion as to those facts or is it a recapitulation of those facts as shown by the books?

(Testimony of Russell Treacy.)

Mr. MACKAY: It is both, your Honor. I might explain every figure that can be checked against other figures in the statement or in the books because if your Honor will examine that statement you will find that up at the top is the net income, over which there is no particular dispute as to what the books show here, depreciation and amortization, and all of those are in the books and represent book figures. The accrued income represents book figures. Then below that there is the deductions. Below that is the application, where we show increase or decrease in assets, and the decrease or increase in real estate, personal property, life insurance, stocks and bonds, cash funds, notes and accounts receivable, picture rights, and increase or decrease in liabilities; net increase or decrease; and dividends paid; and then total. In a way, it is a summary, but it reflects all of those figures which are on the books with the exception of some that are made up of two figures, as you can well appreciate.

The MEMBER: All right. The document is offered.

Mr. LEMING: As I understood, counsel explained that Exhibit C is not a reflection of the books, but an analysis of the other figures. With that view of it I have no objection to the document as presented by the witness who says he has examined [158] the books and made it up. I would like to say this, so far as checking is concerned, that I

(Testimony of Russell Treacy.)

had no knowledge at all that this document would be offered in evidence until it was presented this morning. It came to me a very few days ago, not disputing Mr. Mackay's statement, but it was not offered to me for checking. I just wanted the record to be straight.

The MEMBER: However that may be, there is no objection to it and the document may be received as Petitioner's Exhibit No. 2.

At this point the taxpayer offered and there was received in evidence as its Exhibit No. 3 a similar statement for the years 1930, 1931 and 1932.

Continuing the witness testified further on cross-examination as follows:

All I testified to was the ownership of the stock of the corporation according to the books. I did not undertake to say who actually owned those shares.

JOHN H. FISHER

was called as a witness by and on behalf of the petitioners and, having been first duly sworn, was examined and testified as follows:

Direct Examination.

I have resided in Pasadena since 1920. I have business connections in Los Angeles and other parts of Southern California. I am a director of the Southern California Edison Company, a cor-

(Testimony of John H. Fisher.)

poration supplying practically all of Southern California with electric light, with 120,000 stockholders, and a billion dollar corporation. I am a director and chairman of the executive committee of the Laguna Land & Water Company, owning quite a good deal of real estate in and around Los Angeles, a two million dollar corporation.

I am a director of a number of other corporations. I am president [159] of the Equitable Investment Corporation, investment counselor, with offices in Hollywood; and I am connected with 6 or 8 other smaller corporations. The capitalization of the Southern California Edison Company was one million or one billion. I have been a director of the Southern California Edison Company twenty-six years. I have been a director of or connected with these other companies in the way I have stated for a number of years. I was an officer or connected in some way with the Cecil B. deMille Productions, Inc. I came to Mr. deMille in the days of the partnership in 1920. The first of October, 1920 I took charge of his personal business and the business of the partnership and at the time the corporation was formed I was elected secretary of the corporation and later general manager. I do not remember the date of the general manager election. I continued in that position until the first of May, 1926. My duties for the corporation in 1923 and 1924 and thereabouts was general manager. I did not have anything to do with the making of

(Testimony of John H. Fisher.)

pictures at that time. I was elected general manager; not with the actual making of pictures. I did in 1923. In 1923 I was called in and Mr. deMille told me that in the obtaining of horses for The Ten Commandments the studio had broken down under the pressure of that picture and he asked me if I would take charge of acquiring horses enough to handle that picture.

What I did with respect to the producing of The Ten Commandments in 1923 was as follows:

Mr. deMille told me he wanted at least 300 chariots in that picture and it was necessary to obtain horses sufficient for that purpose, and to handle the balance of the needs of the picture. I found immediately that it was practically impossible to find light draft horses. There [160] were plenty of saddle horses, and plenty of heavy stock, but that we would have to get horses and train them to harness of the light harness class. We started in over Southern California with a number of men in the field. We could not find horses of any great number there as the tractors had come in, and we had to send men all over the State of California, and we gradually accumulated our horses and shipped them to the point where they were to be used, north of Santa Barbara, about 80 to 100 miles in the edge of the sand hills and established horse lines and camps and started to train those horses to pull a chariot. It was a very difficult proposition because King Tut's tomb had just been found and we had

(Testimony of John H. Fisher.)

definite information as to the harness and type of chariot used at that time and all the pulling came from the back strap on a yoke on the back of the horse upon his withers, no brace strap or tug or anything of that kind, and we had great difficulty in training those horses. We finally discovered that we could not get enough horses from the farmers to supply our needs, and it occurred to me to try the United States Artillery and I took that up through the Presidio at San Francisco. They finally agreed to let us have an artillery company from the Presidio. That company was to be sent down there in a practice march and was to be established with full camp outfit and everything that would go with a practice march. About that time some of the farmers in California got together, in spite of the fact that they did not have horses to supply us, and wrote direct to the President of the United States, telling him that the United States Artillery was coming in competition with the farmer, and the President instructed the commanding officer at the Presidio to make no move and disregard the practice march without direct consent of the Secretary of [161] War.

We tried to find the Secretary of War and we found that he was on a battleship off the west coast of Mexico, having come through the Canal. We finally succeeded in getting his authority to bring those horses to the camp.

(Testimony of John H. Fisher.)

Then Mr. deMille told me that as long as I had started with the horses, he would like to have me take charge of all the animals in the picture. He wanted as many camels as he could get. We got in touch with every zoo and every circus in the United States. We secured all the camels available in the United States, and then we discovered there was a shipment of camels on the Atlantic Ocean coming from Egypt to this country, and we got in touch with the people owning them and had that shipment of camels sent direct by rail to our camp at Guadalupe.

Also, we had hundreds of cows, burros, mules, geese, ducks, sheep and goats, and they all had to be shipped there and all properly taken care of.

Then Mr. deMille called me in one day and said, "I would like for you to take charge of establishing a camp in the sand hills of Guadalupe to accommodate 2,000 people." We started in to get supplies up there and found that the studio was very much embarrassed for transportation, and, again, he came in and asked me if I would take charge of the transportation.

I might give you briefly the difficulties that we ran into in connection with the transportation situation. We finally found it was advisable to start a truck out of Los Angeles to carry everything necessary not only for the camp but for the sets, about 215 or 220 miles by truck, and the men that drove those trucks were required to make a [162] com-

(Testimony of John H. Fisher.)

plete round trip without stop. They carried their loads to the camp, unloaded them, and returned to Los Angeles and then had 24 to 48 hours off, and then went back on the truck again. In the meantime, another crew of men took the trucks.

We had to construct a great number of very large sphinxes in Los Angeles to line both sides of the approach to the main gate. We sent men out on a motorcycle to measure the clearance of the bridges, and so forth, in order to establish the height.

We started a fleet of trucks out of Los Angeles one day and about ten o'clock one night they reached an underpass of the railroad which had been overlooked by our men and they found that the sphinxes would not go under that. The men were there with these trucks and they could not get anywhere. They had to get to the location. Finally, the driver of the lead truck, who had charge of it, suddenly remembered that there was a bunch of carpenters going north on the night train. He stopped a motorist and got in his car and drove back about 40 miles to Santa Barbara and stopped the night train there long enough to have the carpenters taken out of their berths and give them chance to dress. Then they went into the baggage car and got their tools, and he had the truck take them north and they sawed the heads off the sphinxes and they went under that bridge and they were delivered properly.

(Testimony of John H. Fisher.)

We had to take 2,000 people out of Los Angeles by train and motor buses and get them to that location and house them that night and it necessitated feeding them on the way.

To give you an idea of the difficulties we had, those trucks, after they got within three-quarters of a mile of the location or a half mile of it, had to be pulled by tractors through the sand as the [163] trucks could not make the pull.

Those people had to be provided with tents and floors. They had to have facilities for 2,000 people to take shower baths every night after coming off the location. On account of being in Egypt they were very scantily clothed and they had to have makeup all over their bodies.

We had to establish a complete Kosher kitchen to take care of the Jews, a separate dining room, separate china, separate cooks, to take care of the entire lot of Jews.

We used military tactics in establishing camp. We had a captain in charge of each 100 people and a lieutenant or corporal, so called, in charge of each 20.

On account of the weather conditions it was necessary to get those people to the location very early in the morning. Usually they were at the location by 7 o'clock. They had to be hauled across the sand hills by teams hitched to sleds. We divided in two in the center, one half for men and one half for women. We had remarkably Strict rules re-

(Testimony of John H. Fisher.)

garding the men visiting the women's quarters or the women visiting the men's quarters. Those rules were so strict that one night Mr. and Mrs. Lasky were looking the camp over and they endeavored to get into the women's quarters and were prevented by the officer in charge. Mr. Lasky said "I am Mr. Lasky. You know I am president of this company." The guard said: "I am very sorry, sir, but you cannot go into the women's quarters without permission from Mr. Fisher." Mr. Lasky complimented the officer and went back to his tent.

I think that is, briefly, the picture of the situation there.

I had charge of the equipment taken up there, too, and you can imagine 2,000 people and the conditions they were in, in the moving of [164] the Children of Israel, where they had all their worldly possessions with them.

We came to check up after the completion of the picture and we found that we had lost just two brass bowls, which was the total loss. There were some things destroyed.

I also had charge of the chariots. We had 300 chariots with two horses each. I had charge of getting the chariots on the field. Mr. deMille called me one day from Los Angeles and said, "John, come up here immediately." I drove part of the night to get there and arrived about daylight in the morning and he said, "I can't find out how many chariots I have. The Army Officer in charge of the

(Testimony of John H. Fisher.)

artillery and our Hosea Steelman, who has charge of our horses, a cowpuncher, are fighting all the time, and we can not get a definite count. I have to know how many chariots I have." I told him I would let him know at once. I ordered all the chariots up on the sand hills. The captain and Steelman came to me and said, "You are going to attempt to count those chariots on the sand hills. It can't be done. You can not with this harness make those horses stand still. They are milling all over the place. There is no chance of getting them into any kind of a formation at all."

I knew definitely how many horses I had. Every horse had a brand burned into his hoof. We had a complete record on a card index. I ordered all of them onto the hill, and then I took some men and went through the picket lines and gathered all the harness and all the equipment that was left and I counted the number of sick horses I had and then I knew how many chariots I had on the hill after that because there were no other horses used for any other purpose. We made every [165] man personally responsible for his own team and from then on there was no trouble between the two organizations.

As manager of the Cecil B. deMille Productions, Inc. I had occasion to check the cost of production, and that was part of my duty. Every week we had a cost sheet which came in on my desk. As I recall it, that sheet broke the cost of the picture into 64

(Testimony of John H. Fisher.)

accounts and it was my duty to check all those figures and compare them as a check with other pictures—check averages in other pictures, of all the pictures made by the Lasky Company in the last four or five years. Naturally, I discussed discrepancies and checked those out.

I found out very shortly that the Lasky Company was charging us part of the overhead of departments which they had and which the deMille Productions had. We were charged with our own department in full and also with a portion of their department, which was absolutely wrong. We corrected all of that after having it called to the attention of the auditor of the Lasky Company.

I also discovered through checking on those sheets that we were being charged the full day for a carpenter or an electrician who only worked part of the day on our particular sets. In other words, we had to watch constantly year after year for discrepancies in the amount which was charged to our pictures. The studio's attitude seemed to be anything you did not know what to do with, charge it to the deMille picture.

We tried very hard to break up that thought, and I think succeeded in doing so before we got through with it.

I was responsible for entirely remodeling the entire system of charging overhead to the various pictures. I found the studios [166] were dividing

(Testimony of John H. Fisher.)

their overhead and charging it to the pictures under production.

To illustrate that, there are times in all studies when no picture is actually being shot and when that time occurred there was quite an accumulation of overhead of all the stars, actors and, in fact, every charge in connection with the studio. Then when some pictures did start actual operation in a shooting period that accumulated overhead was charged to those pictures.

The result is that they carried a tremendous burden, which was not justly theirs. We finally succeeded in getting the Lasky Company to change that system, to establish or estimate the number of pictures to be produced, say, in the next four months, and to estimate what the overhead would be for the four months and to allot it in proportion, so then at the end of four months we had an adjustment which straightened the matter out. In that way each picture bore a proper proportion of the overhead of the studio.

As I say, these picture cost sheets—I testified this morning came on my desk every week-end. It was up to me, and part of my duty, to check how those picture cost sheets were arrived at. It was up to me to check how the different items were made up, and very often go to the auditor and break down those various items, follow them out, to assure myself that they were right, and that we were not being overcharged. Then, when I found them

(Testimony of John H. Fisher.)

to be O. K., I O. K.'d those sheets, passed them to Miss Rosson, and then Miss Rosson then drew drafts on New York for the amount of the week's expenditures.

As production manager of the Cecil B. deMille Productions, Inc., I O. K.'d the expenditures made in connection with the making of The Ten [167] Commandments——

In physical equipment we had certain lighting equipment. We had a large stock of uncut materials in our wardrobes. We had great quantities of costumes that had been made in our own wardrobe. We had quantities of books. We had camera equipment. We had all of the employees of our own wardrobe. We had our scenario department. We had our reading department. We had our head camera man. Then we had our head prop man; we had our trick man; we had a research department in connection with colored films—the coloring of films; we had our own drafting department for the designing of sets; we had the head of our research department, and there were others undoubtedly, but I cannot recall. Then, we had the head electrician; head of the typing department—that was before the days of the spoken picture. That is all I can recall right now.

I think you will realize from what I have told you this morning, that it is necessary to have a man of unusual ability to handle such propositions as we ran into in The Ten Commandments and the run of later pictures.

(Testimony of John H. Fisher.)

You can not go out and pick up anybody or pick the average man and bring him in the studio and expect him to carry on under such conditions as we had under The Ten Commandments. In any of those conditions; in any of those positions which I have named, they require men of unusual ability. We had film cutters in our organization. That is a very intricate piece of work, and we had a very remarkable woman at the head of that department. It is almost impossible to obtain them because they are all under long-term contracts with other studios. If we had lost our cutters we would have been in a very difficult position. The personnel [168] I have just described here is what I considered as the staff. For the producing of pictures as it occurs to me, do you want me to add additional —the assistant director is an extremely forceful position, and we had a man who had been with the company for a long time, and was trained to it. I was familiar with the real estate holdings of the company—of the Cecil B. deMille Productions, Inc. I will give the Board a general idea of what the real estate holdings consisted in some cases and say whether or not any of those were acquired for the purpose, or for use in the production of pictures.

We owned—we bought various ranches in the Tejunga Canyon, acquiring them one at a time until we eventually acquired the whole strip of that canyon for quite some distance. I should judge it extended for a mile and a half, something of that

(Testimony of John H. Fisher.)

kind, in the canyon, with the idea of using that property for location work where we could establish sets, and have control of it so that we did not need to tear them down, or remove them, or anything of that kind.

We had certain business real estate scattered through Hollywood. One particular piece that we bought, with the idea of building a theatre on it eventually—was a very important property on a corner in the San Fernando Valley, which we bought as acreage, with the idea of subdividing it if we thought the development of Southern California—which we thought at that time would be one of the hot spots of the country—and we did subdivide that property and built a building on the corner. That is all we owned.

Nearly all of the big studios had ranches, because their studios were located on such expensive property, that they could not afford to [169] have a sufficiently large studio. A ranch would permit an outdoor set, and everything was described in that case as being on the lot, when it was out on some vacant lot, where it could be built up and torn down and changed to suit ourselves.

The Ten Commandments was produced by the Cecil B. deMille Productions, Inc. I am familiar with what has been referred to as Laughlin Park. I am also familiar with the fact that the Cecil B. deMille Productions, Inc. has its office in Laughlin Park. The business office of the corporation is

(Testimony of John H. Fisher.)

there. That has been there for many years; but I can not say how many years. I do not remember when we established it as an office. I would have to make just a poor guess as to the number of acres in Laughlin Park because I never figured acreage. I suppose somewhere in the neighborhood of four or five acres. I think it is about nine. It is located in Hollywood. I can describe to the Court what is in the office of the deMille Productions Company in that park. There is Mr. deMille's private office, consisting of quite a large room, which is also used as a production room. It has a good sized entrance hall which is also used as a location of the projection machines. Back of that is Miss Rosson's office which is a very large room. Back of that is the bookkeeping office. I think that gives a pretty general idea of the building. It has a projection screen in it, and has always the last word in projection machines, as Mr. deMille uses that room a great deal. I think I am perfectly safe in saying that ninety-five per cent of the time he is home he runs two types of pictures in that room every evening, not only his own pictures, but pictures of all other companies, in order to study the acting ability of people who are being used by the other [170] companies, and with the thought of finding somebody who can develop into a star, or whom he may be able to use in a future picture.

As a director of that company, and as an officer of that company, I know it to be a fact that the

(Testimony of John H. Fisher.)

pictures exhibited there were those that Mr. deMille supervised and the Productions, Inc. produced; and Mr. deMille would run his pictures there after the third or fourth cutting, something of that kind, and would have all of the principal personnel there, all the heads of the departments, viewing the pictures—and after the picture had been run, he would go around and talk to the different persons present, and get their criticisms.

Mr. deMille would be present, and then the picture would be run again, and finally, when he gets it in about what he thinks is a finished condition, he very often feels the necessity of having an orchestra in order to put the feeling of the music into the pictures as the last phase of it before it is finally passed by him, and is O. K.'d and sent out to have the final prints made. These pictures produced by the deMille organization were exhibited there. They may have been produced in Lasky's, or some other studio; no matter what studio it is, it run there. Mrs. deMille participated in the activities of the company. Mrs. deMille had charge of the real estate department of the company. She visited New York quite frequently to view plays.

She consulted with Mr. deMille and advised on practically all of the actors and actresses that went into the picture. Last night Mr. and Mrs. deMille went to a picture here. I was with them, and going home in a taxicab practically all of their conversation was a discussion of the ability of certain actors

(Testimony of John H. Fisher.)

and actresses that they saw in the Famous Players-Lasky Corporation. That is a sample of the work which she was [171] continually in in regard to the pictures. She was also considerably in touch with the picture costs. It was her duty to help Mr. deMille select stories; select actors and actresses and also help edit the pictures. I can not recall a single instance when I was present, that I was present with those at every running of the deMille pictures—during all the time that I was there—I can not recall a single instance when she was absent —she was not there to look and enjoy the picture. The greater part of the time we had only one projection machine, and therefore there was time when the light was turned on, and immediately Mr. and Mrs. deMille would get together and they would call the assistant director over, and with him they would discuss certain scenes in the picture. They would discuss what was the feeling, and whether this should be cut out or that should be cut out of the picture.

I spoke about the heads of the various departments being present also. They are members of the staff who are actually producing the picture under the direction of Mr. deMille for the production company.

They would come up to the office, view the picture along with Mr. and Mrs. deMille and the other members of the Cecil B. deMille Productions, Inc. I stated that The Ten Commandments was produced

(Testimony of John H. Fisher.)

by the Cecil B. deMille Productions, Inc., and I believe I also stated that I was connected with the company as director and manager until about April 1926. During that period the Cecil B. deMille Productions, Inc., was producing pictures. I do not know what they produced during that period. I had so many pictures, so many pictures in my mind in connection with Mr. deMille's work, and before I came to him and after, that I do not think I could specify which pictures they were. [172]

I think I will have to correct one statement. You asked me if she was generally present when these exhibitions, or these pictures were exhibited in the deMille's production office projection room. I answered that I thought I could not recall a time that she was not present. I do not think that is quite correct. I think after we moved into the studio, the deMille Corporation, of which I was not a member, produced one or possibly more pictures.

There was a film vault in the office of the production company. And it had a very extensive library. I was acquainted with Mrs. Ella King Adams. She was a reader in connection with the production of pictures. She got a damp copy of every novel in the world, long before it was on the news stalls, and she had a synopsis made of any that she thought would be of use to Mr. deMille. She also went on to New York, Chicago, to see all the plays running, and reported back to Mr. deMille any that she thought might interest him.

(Testimony of John H. Fisher.)

They had someone assisting Mrs. Adams in that connection. When Mrs. Adams found something that might interest Mr. deMille, she had woman readers who would read it and have a synopsis made. Mrs. Adams also had a writer. Jane Macpherson, and one or two girls under her, who were writing pictures. She and Mrs. Adams read those pictures together.

I attended directors' meetings of the Cecil B. deMille Productions, Inc. a great many of them. They were often held. Sometimes in the studio. Very often in the studio, and then they would adjourn to Mr. deMille's residence in the evening, and very often at the residence. Only in those two places. [173]

I know arguments arose between the Famous Players-Lasky Corporation and the Cecil B. deMille Productions, Inc., over the cost of The Ten Commandments. Or the cost of any pictures. We had various arguments with them, as to their method of distributing overhead; also a number of arguments which we finally had to settle by having Mr. Lasky thrash the matter out entirely with our organization, and then with the studio regarding the use of the studio, so that it remained our own department. When I say our own department, I mean the deMille Productions, that is, such departments as the scenario and the advertising—which I do not think was mentioned before—and various departments of that kind.

(Testimony of John H. Fisher.)

We also had a grave situation after the first million dollars had been spent on The Ten Commandments. The Lasky Company refused to authorize us to continue beyond that point. In other words, refused to advance any more money, and insisted that we were responsible for any money expended after that. In other words, that we would have to put that money up ourselves to carry on the picture, and it finally reached the place in that discussion where we deemed it advisable to stop work on the picture. After stopping work on the picture for, I think, either one or two days—I am not sure which it was now—they finally authorized us to go ahead and complete the picture at their expense. In other words, they would advance the money to complete the picture. The Famous Players-Lasky Corporation produced the picture. I was always part of the Cecil B. deMille Productions, Inc. The Cecil B. deMille Productions, Inc., owned a studio or took steps to acquire a studio—a moment ago you asked me whether I was always paid by the Cecil B. deMille Productions, Inc. I would like to correct that statement in that [174] I was paid by the partnership before the Productions. Oh, you mean the corporation. I was secretary of the company, that is, deMille Productions, Inc., for quite some time. The minutes book of the Cecil B. deMille Productions, Inc., which you show me is the book that was submitted as the correct record of the Cecil B. deMille Productions, Inc. I

(Testimony of John H. Fisher.)

turn to the minutes dated July 25, 1922. I was present at that meeting. Mr. deMille, Mrs. deMille, Mrs. Adams, Miss McCarthy were present at that meeting. When you notice that that minutes provides that the resolution retained Ella King Adams at $300 a week, that is the Mrs. Adams that I heretofore mentioned in the Cecil B. deMille Productions, Inc. And also head of the research department. I mean reading.

I did not prepare these particular minutes. Referring to Page 1 of the minutes of July 25, 1922, those minutes correctly set forth the matters that were taken up in the directors' meeting at that time.

At this point there was offered and received as taxpayer's Exhibit No. 4 the minutes of the taxpayer dated July 25, 1922. The minutes of the taxpayer dated April 2, 1923, were offered and received in evidence as taxpayer's Exhibit No. 5.

Continuing the witness testified:

You call attention to the minutes of the meeting of July 16, 1923. I have read the minutes of the meeting of July 6, 1923. I will state who were present at that meeting. Mr. deMille, Mrs. deMille, Mrs. Adams, and myself. Miss McCarthy and Miss Gladys Rosson, the acting secretary, were also present. And the minutes are signed by Mr. deMille, Mrs. deMille, Mrs. Adams and Mr. McCarthy.

There was offered and received in evidence as

(Testimony of John H. Fisher.)

taxpayer's Exhibit [175] No.6 the taxpayer's minutes dated July 16, 1923.

Continuing the witness testified:

The directors in that meeting directed me to make a search for a studio. I did at that time, or subsequent thereto, make an effort to attain a studio for the deMille Productions, Inc. First I investigated an old studio on Glendale Boulevard, and I found that it was not adequate at all for our use, and that there was not even sufficient ground adjoining it to construct what we would need.

Then I investigated the Real Art studio, on Commonwealth Avenue, and I was rather impressed with that studio, that it would accommodate our productions, and so I reported to Mr. deMille on that studio, and the following day he and I went there, and went over the studio and made up our minds that it would not satisfy our requirements.

I also investigated the Sherman Ranch in the San Fernando Valley, and another large piece of property adjoining the ranch, with the idea of building a studio on that property and later on I took Mr. deMille over the Sherman Ranch and let him see not only the location of the studio, but also the distribution of locations on that ranch, for sets, et cetera, and among the oak trees in the valley.

And in that connection Mr. deMille asked me if I had neglected the general lay-out of the studio, and I prepared rough plans on a large piece of paper as a general lay-out of our studio and submitted them to him.

(Testimony of John H. Fisher.)

We did not get to a place of making a definite decision on the question because it depended entirely on whether we did break with the Famous Players-Lasky Corporation, but we had to be prepared in case we did break. [176]

I also employed an engineer to break down picture costs and strike averages on charts, or graphs so that we would have as complete a record as possible of not only our picture costs, but where we had an opportunity, the picture costs of the Lasky studio, and the average costs of such things as floor covering, wall covering, painting, carpentry work, designing and practically everything in connection with the actual making of the pictures.

I first prepared long sheets showing in actual figures and then discovered that that could not be studied in that business, and that they ought to be charted, and I had an engineer work two or three months in charting those picture costs. By picture costs I mean not the total cost of the picture, but by breaking it down in the various items and charting the items and by so charting them striking an average on those, so that we would have as complete a record as possible on all different items in case we had to establish our own studio, so that we could check in on our studio practice and establish what the studio was doing.

I turn to the minutes of July 21, 1924. I identify the signators to those minutes.

(Testimony of John H. Fisher.)

There was offered and received in evidence as taxpayer's Exhibit No. 7 the taxpayer's minutes dated July 21, 1924.

There was offered and received in evidence as petitioner's Exhibit No. 8 the taxpayer's minutes dated September 16, 1924, subject to the proof of the completion of the transactions therein referred to.

There was offered and received in evidence as taxpayer's Exhibit No. 9, over the Commissioner's objection and exception, minutes of the taxpayer of September 29, 1924, in respect of which the [177] Presiding Member rules as follows:

The MEMBER: I do not think I agree with you because you are saying that no matter what activities the corporation may contemplate we should not consider it here as a part of the business of that corporation unless it is carried on to completion. I think I understand what you mean, but I do not quite agree with you.

I will note your exception, and these minutes of September 29, 1924 will be received in evidence and marked "Petitioner's Exhibit No. 9". [178]

There was offered and received in evidence as taxpayer's Exhibit No. 10, over the same objection and exception of the Commissioner, the minutes of the taxpayer of October 6, 1924. There was offered in evidence the taxpayer's minutes of a meeting of December 23, 1924, whereupon the following colloquy occurred:

(Testimony of John H. Fisher.)

The MEMBER: Mr. Mackay, how many of these minutes have you?

Mr. MACKAY: I have quite a few; we run right down to 1931.

The MEMBER: I take it the same general objection is to be made to all the minutes.

Mr. LEMING: Yes, if your Honor please. And I take it from what you have stated, that the same rulings are going to be given. I therefore wonder if we could not bundle them up and make one exhibit.

Mr. MACKAY: Yes, sir.

Mr. LEMING: They are all taken from the records of the company?

Mr. MACKAY: Yes, sir.

The MEMBER: They are all made in the regular course of business?

Mr. MACKAY: That is right.

The MEMBER: And there is no question on that ground?

Mr. MACKAY: That is right.

Mr. LEMING: Since we are going to have it that way, your Honor; that is agreeable to me if I may be permitted at this time to object to the receipt in evidence not only these but those which have gone before, and when that objection is overruled. I shall then make another exception to the entire ruling.

The MEMBER: All right. Why don't we reverse our record so far and instead of running

(Testimony of John H. Fisher.)

these exhibits separately, let us strike out Exhibits 4 to 10 inclusively and take all the minutes and incorporate them into one exhibit, No. 4. You can count them up and let the Clerk know how many there are, and while you are doing that let us take a short recess. [179]

(At this point a recess was taken, after which proceedings were resumed as follows:)

Mr. MACKAY: Your Honor, we have gotten the minutes together, and we find that there are twenty-eight, and we would like to have the right to offer them, for the reason that I have testified.

The MEMBER: Extending from July 25, 1922 until the date of your last meeting?

Mr. MACKAY: Yes, from July 25, 1922 until December 11, 1931.

The MEMBER: It will be received as "Petitioner's Exhibit No. 4".

(The documents referred to were received in evidence and marked "Petitioner's Exhibit No. 4", and made a part of this record.)

Mr. LEMING: And subject to the various objections which have been heretofore mentioned.

The MEMBER: Yes. And to any others which you may now make, if you wish.

Mr. LEMING: They are objected to because, in the first place, they are self-serving declarations; they contain matters which are hearsay; they contain references to matters which have never been carried to completion. For these reasons we object to their receipt.

(Testimony of John H. Fisher.)

The MEMBER: Do you care to be heard?

Mr. MACKAY: Only to this extent, your Honor, that these minutes do not represent all the minutes that have bearing on the case. We have numerous others, but we picked out these to show the activities of our company.

The MEMBER: Inasmuch as these minutes represent the written history of the company, the objection will be overruled and the minutes will be received in evidence.

Mr. LEMING: May an exception be noted?

The MEMBER: An exception will be noted. [180]

Continuing, the witness testified:

My attention was called to certain matters in which I referred to the Ince studio. I will state that as manager of the Cecil B. DeMille Productions, Inc., I carried on negotiations for the acquisition of the Ince studio. I started in negotiating through Mrs. Ince, Mr. Ince had died, and I started negotiations through Mr. Carpenter, who, I think, was executor and also the attorney for the organization. Mrs. Ince personally sat in with Mr. Carpenter and myself at most of the conferences. We started at $700,000, which I had said he was asking as the selling price, and we gradually worked that price down, as I recall, to $615,000.

Shortly thereafter Mr. DeMille went east and asked me to continue my negotiations and see what I could do in regard to the studio.

I finally got a verbal offer on it, for the DeMille Productions of $550,000, and then following that

(Testimony of John H. Fisher.)

we refused to buy it. We first got a verbal offer and that was followed by a written offer to sell for $500,000. Probably twenty-four hours after that we got a wire from Mr. DeMille—in the meantime I had communicated with him—authorizing us to buy the studio, and as I recall it now, we made a down payment of $50,000, and entered into a contract to purchase the studio. The contract between Thomas H. Ince Corporation and the DeMille Production Company which you show me is a contract for the studio which I have referred to. My signature is there and I recognize the other signatures. It is my signature on the document and I find a number of places where there are certain things interlined in ink, and those are in my handwriting, initialed by me, and initialed by England Carpenter. And right on the [181] front of that document is a receipt. The receipt is signed by Thomas H. Ince, Inc., by Eleanor K. Ince, under date of April 3, 1925.

The document so identified by the witness was offered and received in evidence as taxpayer's Exhibit No. 5.

There was offered and received in evidence as taxpayer's Exhibit No. 6 a contract dated November 16, 1923 between the Famous Players-Lasky Corporation and the Cecil B. DeMille Productions, Inc.

Continuing, on direct testimony, the witness said:

You call my attention to Exhibit 2, "Petitioner's

(Testimony of John H. Fisher.)

Exhibit No. 2", and particularly to the surplus for the year, showing in surplus at the end of December 31, 1924, $258,337.26. The minutes that have been offered in evidence show that I was a director of the Cecil B. DeMille Productions, Inc., during the year 1924, and 1925, and up to 1926, when I resigned.

I will state to this Court why all of that surplus earnings of $258,000 was not distributed at the end of 1924—because we were constantly finding ourselves in very uncertain situations. Our contract with the Famous Players-Lasky Corporation could be cancelled under the terms of the contract by either side in a short time and we might find ourselves at any period during the term of that contract in a position where we would have to go out and buy a studio and equip it and make our own pictures. Therefore, we always should find ourselves in a very substantial position as far as a surplus was concerned. When I say "make our own pictures", I mean finance our own pictures.

I simply owned on share in the Cecil B. DeMille Productions, Inc. qualifying me as a director. I do not own any now. I surrendered it when I resigned. I am not connected in any way with the company and have not been [182] since May 1, 1926. I am not in any way connected with Mr. DeMille, and there is no relationship between me and Mr. DeMille or with Mrs. DeMille through relatives.

(Testimony of John H. Fisher.)

The surplus existing at December 31, 1925 shows $659,037.14 on petitioner's Exhibit No. 2. Taking into consideration the matter that I have testified to here now, the cost of producing, and having in mind particularly the contractual relationship that existed between the DeMille Productions, Inc. and the Famous Players-Lasky Corporation, in its financing of the company, the cost of studio and so forth, I do not consider the sum of $659,000 as an unreasonable surplus for the Cecil B. DeMille Productions, Inc. on December 1, 1925. I think the surplus was not as large as it should have been at that time. We required a larger surplus. You ask me if I have any idea—can I tell the Court what surplus would be reasonable under the circumstances for that corporation. I would like you to tell me what you mean by that expression "like circumstances". Do you mean if we had to buy a studio and finance it. Your answer being "yes", I would estimate that at the very minimum we would have required $4,000,000. The reason I say $4,000,000 is that it shows on the face of it that we needed a studio costing $500,000. That we estimated at that time that it would cost at least $100,000 to put that studio in condition for our use. And we later found that it was necessary to spend considerably more money than that on the studio.

We have shown that The Ten Commandments picture cost $1,500,000. We would not get any return for that picture even if it was released for a

(Testimony of John H. Fisher.)

number of months. In the meantime we would not be idle, we would have to carry on, and start another picture, and we would have to have capital to pay for that as we went along. You can not get started, with people of all [183] types to work in the picture, to work for nothing. You have got to pay as you go and you have got $200,000 to start with to work on the picture. I mean $2,000,000 instead of $200,000. We have got to carry on on another picture before we get any money out of that, so that I do not see how we could work on less than $4,000,000, and I think we would be running pretty close to the danger line there. I would have felt much safer if we had started financing our own pictures if we would have had $10,000,000.

Whereupon the witness was asked:

"Q. Mr. Fisher, I will ask you if you or any other director had any intention during the time that you were a director of that company, to retain its earnings so that Mr. DeMille, Mrs. DeMille or any of the other stockholders of that corporation would avoid the payment of sur-taxes on dividends that might be declared.

The question was objected to. The objection was overruled. The Commissioner excepted and the witness continuing testified:

I never heard the matter discussed. It never occurred to me and so far as I know it never occurred to any member of the board in any way. The only reason we built up a surplus, and the

(Testimony of John H. Fisher.)

only discussion we had regarding the surplus was at the time we declared the dividends, and at that time we all had the same feeling that it was necessary to build up our surplus to protect our business. My answer to that question is "no".

Continuing, the witness testified:

Cross Examination.

I did not at any time own more than one share of stock in the corporation. I think I acquired that share at the time, or very shortly after the date of [184] incorporation. The incorporation was formed, as I recall it, by our attorney and his associates were appointed originally as directors in order to carry through the formation of the company. They were later resigned one at a time and the directorate was filled by the men who were to be permanent directors of the company, and at that time a share of the stock was transferred to me. I did not purchase that one share, it was only a qualifying share. It was issued without any cost to me, so that when I resigned from the corporation board of directors, that share of stock was transferred back to—I think to Mr. DeMille. I think it was his stock, but I am not positive, and without compensation to me. In other words, the share had actually been owned all the time by Mr. DeMille. A. G. King was not a director of the company during the same time that I was there as director. He was not a stockholder at the time I was associated with

(Testimony of John H. Fisher.)

the company. I might qualify the statement. He might have been for a few days. Mr. King took my position. He came to the organization some thirty or forty days before, and he worked with me, and it may be a share of stock was transferred to him before my share was surrendered. I do not know anything about that. In testifying in regard to the weekly cost sheets, I said they were placed on my desk each week. I did not check them and pass them on to Miss Rossan; that is not the procedure. The cost sheet was accompanied by a bill for a given amount of money, as shown on the cost sheet. The cost sheet remained on my desk, and after I had checked it I either O. K.'d the bill, and then passed it—that is, the bill—on to Miss Rossan, and she drew drafts on New York. Those drafts drawn were drawn on Famous Players-Lasky Corporation. [185]

During the time that I was connected with the company, all of the pictures that were made by Productions about which I have testified, were made under contract with that same company. I have mentioned other pictures in my testimony. All the pictures which were made by the Cecil B. DeMille Productions, Inc. were not made under contract with the Famous Players-Lasky Corporation, because after we broke with the Lasky Company, then there was a different situation. Then they were made under the DeMille Pictures Corporation. I had no connection with the DeMille

(Testimony of John H. Fisher.)

Pictures Corporation. I cannot answer the question with whom the contract was made. The Ten Commandments was made under the general contract between our organization and the Famous Players-Lasky Corporation.

The taxpayer had more to do than serve in the capacity of a director in the production of a picture. I should say without question that he did. If Mr. DeMille had simply been a director, he would have had only our organization behind it and he would not have had to appear in the organization of the Famous Players-Lasky Corporation with all their department heads, which was an entirely different situation; and I feel perfectly justified in saying they did not have department heads capable of carrying through that picture. I have already testified that Mr. DeMille called me in and said that the Famous Players-Lasky Corporation had broken down under the strain of that picture despite the fact that Mr. DeMille had in his own organization a great many department heads. What this taxpayer furnished was personnel and some equipment. The principal things he furnished was personnel. The compensation of the taxpayer for its work in producing one of those pictures was not on a cost-plus basis or on a flat sum. We received advances each week, which were to be applied to [186] the amount that we were allotted to make this picture, and the—it is quite a while ago—I will have to think it over—we were operating under contract by the Famous Players-Lasky

(Testimony of John H. Fisher.)

Corporation, by which we got a percentage of the receipts of the picture. That was a written contract, and that was offered here in evidence. That contract fully describes all the compensations that the taxpayer was to get.

At this point, Mr. Mackay, counsel for the taxpayer, said he did not think the contract, under which The Ten Commandments was made, was in evidence.

Whereupon the witness testified on redirect examination as follows (by Mr. Mackay):

I am acquainted with Mr. Lasky's signature. I will state that is Mr. Lasky's signature as vice-president of the Famous Players-Lasky Corporation, and the interlining is initialed by Mr. Lasky. That is the contract. This is the contract under which the Cecil B. DeMille Productions, Inc. produced pictures during the time that I was connected with it. Up until the date of the contract which is now in evidence, in 1923.

Whereupon there was offered and received in evidence as taxpayer's Exhibit No. 7, the contract last identified by the witness.

Resuming cross-examination, by Mr. Leming, the witness testified as follows:

"Petitioner's Exhibit No. 7" is the contract under which The Ten Commandments was made. The terms of that contract—represent the proceeds which were received by the taxpayer for the making of that picture. There were no changes made in this contract one way or the other that I recall. I was

(Testimony of John H. Fisher.)

instructed to make certain investigations with the idea of purchasing [187] some real estate on which to build a theatre building. The treatre building was never completed; it was started, but it was never completed. The foundations were put in. That was on Vine Street, between Selma and Hollywood Boulevard. I could not say positively in what year that was. I would say either 1924 or 1925. I cannot answer when the corporation acquired the home site or property on which Mr. DeMille makes his residence. I do not know the date—I cannot answer that question; I mean I do not recall. The corporation owned some property while I was connected with it. I was connected with it from about 1922—well, from its incorporation up until May, 1926; May first. The corporation had some source of income so long as I was connected with it outside of its business of producing pictures under the contract that I referred to consisting of dividends, sale of lemons, the rental from real estate, the sale of real estate, of course—oil—I am not sure about the oil production. I think it started—I think we did have some oil production after the incorporation of the company. I am not positive of the date that we stopped getting our oil production. I mean the company owned land on which oil had been or was producing. Well, we did not own the land. We leased the land and it had wells on it. The corporation drilled the wells. I am not positive of that, but I think we did. I am not sure who

(Testimony of John H. Fisher.)

paid those bills. It is a long time past. Those wells —I think the first were drilled way back in 1919, I think. That was before the corporation came into existence; it was a number of years ago. I mean to say that that well was owned previously by the partnership, either by the partnership or Mr. DeMille personally. I am not positive of that. I know when I joined the partnership in 1920 that we had a production. I spoke of dividends as a source of income to the [188] corporation, stocks owned by the corporation. That is, sundry stocks of various corporations. The sale of lemons came about through the buying of the property in the Tejunga Canyon, where we expected to use the land for studio purposes. There were lemons and some oranges there.

The company made substantial gains in the sale of real estate and in the purchase and sale of stocks and bonds. It had no other source of income that I did not mention as I recall. I do not think so. I do know something about Mr. DeMille's personal investments. In the years 1924 to 1928, I do not believe I do. I do not think I know anything about what his personal investments were in the year 1924. I could not mention anything that I am sure that he was personally interested in. I know nothing about Mr. DeMille's private investments after I left him in May, 1926. I am not positive that my answer is correct, that I knew nothing of his investments prior to 1924, because in some cases

(Testimony of John H. Fisher.)

there he owned property which was later transferred or sold to the Productions after I arrived there. For instance, I think he owned Laughlin Park some time before my association with him. Just when that property was transferred to the corporation, I could not recall. It may be that he had some investments of that type at that time. I do not remember about when that was transferred to the corporation. The original purchases up in the Tejunga Canyon, one or two of them might have been in his name before the corporation acquired them. I cannot say that I could mention anything particularly that belonged to him as an individual. I have no knowledge at all of any individual holdings of Mr. DeMille except those which I have mentioned. I did not in the year 1924 have any personal knowledge of the amount of Mr. DeMille's personal income. Remember, you will have [189] to stop in May, 1926, because I do not go beyond that far. I did not know anything about his personal income in the years 1924, 1925, and up to the date I quit in 1926. I know nothing about his personal income since the time that I left the corporation. When I was with the corporation I did not understand that Mr. and Mrs. DeMille owned the corporation in its entirety, they owned it entirely. I knew that other people were—Mrs. Adams—Ella King Adams, and Neal S. McCarthy. I think that Mr. McCarthy came in at the time of the incorporation. I am not positive of the date of

(Testimony of John H. Fisher.)

Mrs. Adams—I think it was just at that time or very shortly thereafter.

Whereupon, the witness was asked:

Q. Do you know, Mr. Fisher, that at the time they came into the picture, they executed options in favor of Mr. DeMille for a resale to him of such interest as they had for the amount that they had paid for it?

The question was objected to by the taxpayer on the ground it was incompetent, irrelevant, and improper, and not proper cross-examination. The objection was overruled. The taxpayer excepted and the witness continuing testified:

I have no knowledge of any such agreement either verbal or written.

The witness, continuing, testified as follows in response to questions propounded by the Presiding Member:

Q. As I understand you, you said that the Productions Company made those pictures and received from Lasky each week advances to cover the cost of the production. Now, how were those advances treated? Were they charged to you by Lasky, and did they become a debt on DeMille Productions to Lasky?

A. I would not say that I can answer that question because I have no idea how the Lasky Company handled their books. [190]

Q. Of course you can not, but how did the DeMille Company handle its books? Did you treat it as owing Lasky?

(Testimony of John H. Fisher.)

A. No, sir.

Q. Under the contract then the amount did not become a debt on DeMille Corporation?

A. No, sir.

Q. They were simply advances for the making of pictures, and whatever the picture cost, that the Lasky Company furnished within whatever limit might have been agreed upon by contract?

A. Yes, sir.

Q. So that when the picture was completed this petitioner had put up none of its own money as a part of the cost of production?

A. No, sir.

Q. It had been reimbursed for everything it had spent in the making of that picture?

A. Yes, sir.

Q. And then when the pictures were exhibited, from the earnings?

A. Yes, sir.

Q. This petitioner received a certain percentage as compensation for its work in making the picture?

A. Right.

On redirect examination, by Mr. Mackay, the witness continuing, testified: The salaries of Mr. DeMille and Miss Rossan did not have anything to do with the picture cost. I testified that Mr. DeMille contributed all his time and Miss Adams and the rest, all their time in the making of the picture. And when I say that the cost of productions was not paid, I mean the cost of the negative itself. Everything that went to the negative cost. [191]

(Testimony of John H. Fisher.)

Continuing, the witness testified as follows in response to questions propounded by the Presiding Member:

Q. Was the overhead operating expenses of the company billed to Lasky?

A. No, sir; our wardrobe, for instance—we had our absolutely entire wardrobe, and the cost of that wardrobe was picked up and charged to the picture, because that was actually part of the cost of the negative, but the salaries of our own personal organization had nothing to do with Lasky in the making of pictures.

Q. And you made no charge for the overhead of your organization against Lasky, which you would be reimbursed for?

A. No, sir.

Q. That included the salaries paid to Mr. DeMille—paid by Productions?

A. Yes, sir.

Continuing, the witness testified on re-cross examination:

The principal sources of income of the taxpayer were not its fees, and compensation for making pictures; it was from the profits that he obtained it from the receipts of the picture. These weekly advances did not simply cover the cost of making the picture, exclusive of my salary or the other officers' salaries of the corporation; the advances Mr. DeMille received were advances on his part of the royalty, his percentage from the income of the picture. I have no change to make in my answer to his Honor's question.

(Testimony of John H. Fisher.)

Continuing the witness testified on redirect examination: A moment ago I said that the advances received by Mr. DeMille—I meant DeMille, Inc.

RUSSELL TREACY

was recalled as a witness by and on behalf of the petitioners, and having been previously duly sworn, was examined and testified as follows: [192]

I testified the books of the corporation were in the court room. At your (Mr. Mackay's) request I have prepared a statement showing the salaries that were paid to Mr. and Mrs. DeMille for the years 1924 to 1929, inclusive. I have that statement in my hand. In 1923, Mr. DeMille was paid $91,000.00; 1924, $78,000.00; 1925, $15,000.00; 1926, $6,166.66; 1927, $26,000.00; 1928, $110,583.35; 1929, $130,500.00; 1930, $95,500.00; 1931, $25,900.00. In 1923, Mrs. DeMille received $20,800.00; 1924, $24,700.00; 1925, $36,400.00; 1926, $36,400.00; 1927, $43,900.00; 1928, $44,200.00; 1929, $44,200.00; 1930, $43,250.00; 1931, $28,450.00; and 1932, $24,700.00.

I also prepared a list showing dividends paid to Mr. and Mrs. DeMille separately. In 1924, Mr. DeMille received $2,199.00; Mrs. DeMille, $1,000.00; Mrs. E. K. Adams, $800.00; Mr. John Fisher, $1.00.

In 1925, Mr. DeMille received $2,198.00; Mrs. DeMille, $1,000.00; Mrs. E. K. Adams, $800.00; Mr. John Fisher, $1.00; Miss Gladys Rosson, $1.00.

In 1926, Mr. DeMille received $29,970.00; Mrs. C. A. DeMille received $10,000.00; Mrs. E. K. Adams, $10.00; Mr. John Fisher, $10.00; Miss Gladys Rosson, $10.00.

(Testimony of Russell Treacy.)

In 1927, Mr. DeMille received 29,970.00; Mrs. DeMille, $10,000.00; Mrs. Adams, $10.00; Mr. A. G. King, $10.00; Miss Gladys Rosson, $10.00.

In 1928, Mr. DeMille received $40,558.00; Mrs. DeMille, $14,000.00; Mrs. Adams, $14.00; Mr. A. G. King, $14.00; Miss Gladys Rosson, $14.00.

In 1929, Mr. DeMille received $34,764.00; Mrs. C. A. DeMille, $12,000.00; Mrs. Adams, $12.00; Mr. A. G. King, $12.00; Miss Gladys Rosson, $12.00; and Mrs. F. E. Calvin, $1,200.00. [193]

In the year previous, in 1928, Mrs. F. E. Calvin also received $1,400.00. The last was 1929. I went back and made a correction in 1928. In 1930, Mr. DeMille received $30,418.50; Mrs. C. A. DeMille, $10,500.00; Mrs. E. K. Adams, $9.75; Mr. A. G. King, $10.50; Mrs. Gladys Rosson, $10.50; Mrs. F. E. Calvin, $1,050.00; Mr. F. E. Calvin, 75 cents.

There was then offered and received in evidence, as taxpayer's Exhibit No. 8, the income tax returns filed by Cecil B. DeMille for the years 1924 to 1930, inclusive.

NEIL S. McCARTHY

was called as a witness by and on behalf of the petitioners and after having been first duly sworn was examined and testified as follows:

Direct Examination

By Mr. MACKAY:

My name is Neil S. McCarthy and I am a practicing lawyer in Los Angeles. I have been practicing

(Testimony of Neil S. McCarthy.)

law in Los Angeles twenty-three years. During that time I have represented several large institutions out there, such as banks, and so forth. I was attorney for the Commercial-National Bank for some approximately 10 years until we sold it to the Bank of America. I was director of the bank. I then became a member of the Advisory Board of the Bank of America and represented several oil companies and several motion picture companies; a great many motion picture people, and different commercial establishments in the city, such as Desmonds. I have also represented the Cecil B. deMille Productions, Inc. since its organization. I am familiar with the contract between the Famous Players-Lasky Company, dated November 16, 1923, and that company's Exhibit No. 6 which you now [194] hand me. I think I should say that I am still attorney for Cecil B. deMille Productions at this time. I negotiated that contract. I know there was friction developed between the Famous Players-Lasky Corporation and Cecil B. deMille Productions, Inc. over the performance of that contract. I will state to the Board just what that friction was. There was in each contract—this is the contract of 1923, which was subsequent to the production of The Ten Commandments. The friction had existed for sometime but in The Ten Commandments it reached the worst proportions that I think it arrived at at any time.

The picture itself cost more money than the original estimates called for and more than they had agreed to pay. When the amount they had agreed

(Testimony of Neil S. McCarthy.)

to pay had been exceeded, they then notified me that they would expect us to pay the remaining cost, under the contract, we were obligated to do, because they agreed only to advance up to a certain amount. However, the excessive cost I felt was due to the failure on the part of their estimating department in the original estimates of cost of the picture to correctly make those estimates. I had been in New York during the making of the early part of the picture, that is, what is called the Guadalupe set, where most of the Biblical portions of the picture were made, and had returned home and I went to the studio to talk to Mr. deMille. At that time I recall he was directing the scene of the Golden Calf, and when he saw me come on the set he stopped production immediately and took me off to one side and smiling and very pleased stated to me that they had made the Guadalupe set and the Guadalupe location for far less than the anticipated cost, that instead of using the amount of equipment, and so [195] forth, that had been anticipated and estimated, and instead of taking the length of time that had been estimated, he had been able to make it in a much shorter period of time and, as a consequence, had made it for much less money.

While we were sitting there discussing it Mr. Fisher came over to us and he was very plainly agitated, and he said a terrible thing, apparently, had happened, that the Lasky estimating department had found that their figures were wrong and that instead of the set as they had originally planned

(Testimony of Neil S. McCarthy.)

it costing only a certain amount of money, their figures were so far out of line that it cost a great deal more, which threw the cost far in excess of what had been anticipated.

I, consequently, took the position with Famous Players that we were not obligated under the contract to pay that additional cost. At that time it was estimated the additional cost would be approximately $500,000.00 which we, as I say, under the contract, were obligated to advance and pay not as a direct responsibility but they had only agreed to lend us a certain amount of money for the production of the picture. To complete it it would have required an additional $500,000.00. At first they refused to accept our analysis of it and, as a consequence we stopped production for a couple of days until we could thresh the matter out, and after I had explained to the heads of the organization the reason for our position they agreed with me and agreed to advance the additional cost.

That left a bad feeling, unfortunately, and from that time on the friction continued to grow more and more and during the remainder of the period until 1924, and in 1924 the matter, apparently, began to reach a climax. [196]

They were continuously interfering with the type of picture which we wanted to make. Mr. deMille wanted to make certain types of pictures and we felt that he was right. I was at that time a member of the Board and I had been associated with the business since 1915 and I felt that I knew something

(Testimony of Neil S. McCarthy.)

about it. They insisted upon trying to have us produce different types of pictures than we wanted to produce. As a consequence, we were not in a position to do what we wanted to do, to make the type of picture we felt would go with the public. If I may describe it in this way, their attitude seemed to be when a picture was made that appealed to the public that we should make that type of picture. Our position was that we should anticipate what the public wanted and make that type of picture ahead of the other studios. Instead of being a follower by making the same type of picture at the same time, which is still done in the industry, to anticipate, and we would enhance our reputation and our money, as well. They never could agree on that point.

As a consequence, in 1924 I felt that we were getting to the point where the relations would be broken and I think they were, in the early part of 1925. They had the option under the contract of terminating it at any time on either 30 or 60 days' notice, and on January 9, 1925, they served that notice on us.

They served that notice on us on January 9, 1925, terminating the relations between us, and refused to distribute any more pictures. The contract I spoke about is the contract that I have before me, known as Exhibit No. 6. That is the one made in 1923. That provides, among other things, upon the termination of the contract, that the deMille Productions, Inc. were to get certain [197] equipment up to $50,000 and also all equipment which had been charged

(Testimony of Neil S. McCarthy.)

against a particular picture. I think, furthermore, it provided that the staff which Mr. deMille organized, the Cecil B. deMille organization, was to come back to the Productions, and I think it also provided that the Productions were to get two developed actors or actresses, and also two actors or two actresses being developed. At the termination of the contract the Productions got the organization back. Those things were really our property. We produced the pictures. They simply advanced the money, so whatever we spent the money for was ours.

In the early periods of the relationship of the corporation they wanted to change that and they felt that there were certain things they wanted, and the division was made between them and Mr. deMille in which he agreed they could have certain articles which we purchased in connection with the pictures, and we retain certain of them, and provided in the event of the termination of the contract these things which we ourselves had acquired, together with certain of the artists which we were developing, which were carried on the payroll in their name, should be ours. We required them to carry these people on the payroll in their name and to put provisions in their contract that their services should be assigned to us because of the fact that between pictures if we had not done that we would have had to pay them out of our own pocket if we were not able to secure employment for them elsewhere, whereas by making them carry them on their payroll that obligated them to secure employment for them. I felt they would not

(Testimony of Neil S. McCarthy.)

give employment, probably, if they did not have to pay them anyway, and we required them to carry them on their payroll, but also provided in the [198] contract that their services could be assigned to us, and provided for the transfer of those contracts to us in the event the contract was terminated. We had a complete producing organization which we were using in the making of these pictures. It was a matter of the best way from an economical viewpoint, so far as we were concerned, of carrying that organization on that we were required to carry. We put ourselves in the position that if anything did happen it was still ours. At the termination of the contract the personnel I have described came onto the payrolls of the Productions. I think that amounted to approximately per week, outside of the stars, somewhere over $3,000.00. That is my recollection, that our weekly payroll outside of the artists, was somewhere over $3,000.00 as soon as the contract was terminated. The artists that were acquired were Rod La Roque, who at that time we had developed into one of the real stars of the business, and Leatrice Joy, who also was an outstanding star at that time. I do not think we got Bebe Daniels—Vera Reynolds. I can not recall whether we took Bill Boyd at that time or afterward. I think Bill Boyd, too. I can not remember the others offhand. I have been here and heard the testimony. I heard the testimony of Mr. Fisher regarding the cost study and also the minutes referring to the acquisition of the Ince Studios. The cancellation notice, as I recall it,

(Testimony of Neil S. McCarthy.)

of the Famous Players contract, was served on July 9, 1925; that is the contract executed in 1923. After the termination of the Famous Players Lasky contract in the early part of 1925.

Mr. deMille was in New York. I was in New York. We sat about trying to make new arrangements for distribution. We finally concluded [199] negotiations with a group which at that time had the Producers Distributing Corporation, which was distributing motion pictures at that time, and which needed product, and we needed a distributing organization. We concluded arrangements with them in New York City. The Cinema Corporation of America was the organization which was formed at that time and with which the transaction was finally closed. The deMille Productions assigned the contract to furnish the Ince Studio and the equipment acquired in connection with the Ince Studio to the Cecil B. deMille Pictures Corporation. For all the stock together with certain other property and for all the stocks of the Cecil B. De Mille Pictures Corporation and the Cecil B. de Mille Pictures Corporation stock was transferred to the Cinema Corporation of America for certain shares of common stock of the Cinema Corporation and certain shares of preferred stock. We each paid in or were required to pay in in connection with the organization of the Cinema Corporation $50,000.00 in cash. We did that by paying the $50,000.00 in cash on the studio—I can not recall whether that was all on the studio—but, in any event, we paid the $50,000.00

(Testimony of Neil S. McCarthy.)

either by paying $40,000.00 on the studio and $10,000.00 additional or paying $50,000.00 on the studio.

The other group also turned in the Producers Distributing Corporation and took common stock and preferred stock for the Producers Distributing Corporation. The Producers Distributing Corporation was owned by a corporation known as the W. W. Hodkinson Corporation and they turned in the stock of the W. W. Hodkinson Corporation to Cinema and took out an equal amount of common stock with ours and then a much larger amount [200] of preferred stock for which they paid cash. They were then to pay in additional amounts for the production of pictures and get the preferred stock for that. Much of the preferred stock they took at that time was for indebtedness owing to them, money which the Hodkinson Company owed to certain other people, so they insisted upon getting preferred stock for that indebtedness, claiming they had to expend the money and they were entitled to preferred stock for it.

The contract dated February 13, 1925, which you show me, I believe that is the agreement which was drawn between the Cinema Corporation of America and the Cecil B. de Mille Pictures Corporation, the Cecil B. de Mille Productions, Inc., and Cecil B. de Mille at that time. That is the signed original. I can identify Mr. de Mille's signature. That is Mr. Munroe's signature for the Cinema Corporation of America, and Mr. Richards, I think I was present when this was signed. That is my handwriting.

(Testimony of Neil S. McCarthy.)

There was then offered and received in evidence as taxpayer's Exhibit No. 9, the contract last above described by the witness.

The terms and years of that contract were five, that is my recollection but I will check it up for sure (after examining contract). My recollection is it was five years. This copy—there are several exhibits attached to the original contract which are not attached to this copy. They are a part of the contract. I was just calling it to your attention. My recollection is that those—one of those documents is the form according to which we were required to furnish them estimates of what the pictures would cost, a makeup of that estimated cost. [201]

After the execution of that contract in February, 1925, dispute arose between the Cecil B. de Mille Productions, Inc. and the Cinema Corporation of America and the rest named in the contract. Disputes started almost immediately. They were to put in $500,000.00 and take $500,000.00 of preferred stock, according to my recollection. It was the first money we were to have for production. They put in the $500,000.00 but there was an indebtedness owing to other companies and instead of leaving that $500,000.00 for production there was $250,000.00 available for production and the other $250,000.00, approximately, they paid back to one of their other organizations or affiliated organization on account of that indebtedness. So we had quite a dispute about that. At that time we had to pay them or guarantee, as I recall it, the payment of the payrolls at the

(Testimony of Neil S. McCarthy.)

studio because there were not sufficient funds to pay them. That was the first difficulty that arose. We finally got that ironed out somewhat.

Then, later, one of the men affiliated with the company and with the people who were supposed to be advancing this money, stated to us very calmly that there would be no more money forthcoming from them, that other arrangements would have to be made for the money for the pictures. I think that must have been approximately six months after we started; possibly not that long; maybe 5 months. In the summer of 1925 or possibly the early fall. Then later, I would say in November, because I remember it was during the time we were making the Volga Boatman upon the Sacramento River, which was one of the finest pictures that we made, another member [202] of the company, I think the man who was at that time vice president of the company, stated to me that they would not—were not going to go on with the proposition that they could not get the money out of the pictures; the pictures were costing too much money, and that it had to come to an end. So I stated to him that I felt that position was wrong; that they had obligated themselves to do certain things and that they should do them. I went to see Mr. de Mille concerning it. He was on the Sacramento River directing this Volga Boatman, and we succeeded, to a certain extent, in overcoming that situation, but only for a period of time. That was the latter part of 1925. We went into 1926 and it became apparent that their organization was

(Testimony of Neil S. McCarthy.)

not capable of getting the money out of the pictures and I felt, and they agreed, that it was due to their failure to do some of the things which had been agreed upon at the time the company was organized and the time we went in with them.

They agreed at that time to acquire theatres for the exhibition of these pictures. The business had changed quite a bit at that time. At that time the theatres were more or less running the picture business. The principal producing companies had acquired theatres and, naturally, gave preference to their own pictures in those theatres. The deMille Productions, Inc. were independent producers and the independent producers at that time were in a position to be stifled. I think that was one of the objects in getting these theatres by the big companies.

One of the things we insisted on as a part of the Cinema affiliation was that they should acquire theatres so we would be assured of places to show our pictures, not necessarily theatres in every city, but they agreed [203] to acquire theatres in most of the principal cities so we would have enough to have a trading value with the other companies, to show their pictures in some of our theatres and to require them to show our pictures. We agreed with them at that time to put money into the theatre operations with them. We attempted to draft it into a contract, their attorneys and myself, but we could not fix definitely what was to be done. We knew that we had to have theatres in order to succeed. So we left

(Testimony of Neil S. McCarthy.)

that to the verbal agreement and the understanding between us as to how to do it. We did acquire some theatres throughout the country. We put in our money with them in the Golden City Theatre chain in the Bay region of San Francisco. I think we put in $20,000.00 or $30,000.00 in the acquisition of that property. I think they organized a corporation known as the North American Theatres and we put money into that. There were some theatres in the northwest in the chain. We put money into that, and two or three others that we put our money in with theirs to try to acquire these chains. They stopped. They did not go ahead with the theatres. As a consequence, they were not able to get the money for the pictures. It became apparent during 1926, particularly the latter part of it, that they could not make a success of their venture.

About that time they negotiated with the Keith Albee Circuit to try to get them to become affiliated with us. They had quite a chain of theatres all over the country that I think extended from the Atlantic Ocean to the Pacific Ocean. At that time they were vaudeville houses. Vaudeville was not as popular as it had been. They wanted to get pictures for their theatres and had been trying to show pictures in their theatres. They could not get the product. Mr. Murdock, who was the manager of those companies, [204] had wanted our pictures for some time, and he finally agreed to make a deal of some kind with the companies with which we were affiliated at that time in order to acquire our pictures, and agreed to

(Testimony of Neil S. McCarthy.)

show a certain number of pictures for a certain amount of money. That went on, and during the latter part of 1926 we felt—I should not say the latter part—possibly the early part of 1926. We felt that theatre affiliation would give us the outlet for our product which we needed. I am going on with the history of this relationship. Possibly I am not answering your question.

In 1926 even with that affiliation they could not sell the pictures. Their selling organization was not a good organization and they could not get the money for these pictures which they should get. Consequently, that contract was terminated or that relationship broken and in 1927—We started negotiations the latter part of 1926 and continued them and in 1927 a new arrangement was made with the Pathe Exchange, which was a very well known distributing company in the business at that time.

It was in April, I think, that the contract was signed. It was four or five months being negotiated, the contract, but it was finally signed in April, 1927, signed as of that date. The printed contract you show me is the contract that Cecil B. deMille had with Pathe. They were printed contracts. [205]

This was a real financing at this time. The people in Wall Street were financing this and they had quite an arrangement by which this financing was done and this contract was a part of their entire scheme and, as a consequence, was one of the exhibits attached to their main contract. This is our contract. That was a deal of theirs.

(Testimony of Neil S. McCarthy.)

Whereupon the contract so identified by the witness was received in evidence as Petitioner's Exhibit No. 10.

I think the whole document might not become relevant. I think this was part of their contract but theirs was not necessarily part of ours. By "theirs" I mean Pathe and Blair & Company, and the people doing the financing.

The Cinema arrangement lasted about a year and a half because while the Pathe contract was signed in April, the Cinema deal had practically died six months before that. The Pathe arrangement lasted about a year. It was terminated almost a year exactly from the date of the original contract, April, 1928, as I recall it.

The friction during its existence was their inability to sell the pictures and to get the money for them which we felt they should get. With Pathe there was the same kind of friction, also. That was terminated in 1928. We put our entire organization—took it out of Famous Players and had that with us right up to this time. I know that there was a terminating agreement between Pathe and the Cecil B. de Mille Companies. This contract shown to me is the agreement dated the 18th day of April, 1928, terminating the previous agreement of April 11, 1927. That has [206] some exhibits attached to it. The exhibits, I think, cover the people whom we took and certain of the equipment on which we had reserved an opinion, and that we took out of there.

Whereupon the document so identified by the witness was received in evidence as Petitioner's Exhibit No. 11.

(Testimony of Neil S. McCarthy.)

I carried on negotiations for Cecil B. de Mille Productions, Inc., for other contracts with other companies before that termination agreement which has been offered in evidence was signed because I saw several months before that that would be terminated, and had been conducting negotiations for some time.

We finally entered into a contract with another company to secure financing. We finally made a contract to distribute with the Metro-Goldwyn-Mayer Pictures Corporation. This contract shown to me is the contract with Metro-Goldwyn-Mayer which was signed the 31st day of July, 1928, and it consists of forty-five pages. It is a long one; forty-five pages.

Whereupon the document so identified by the witness was received in evidence as Petitioner's Exhibit No. 12.

We met with the same situation after the execution of this Metro contract that we had had with Famous Players. We had to get the money for our pictures and they insisted upon reserving the right, which was customary in the business—everybody that advanced money whether a bank or distributing corporation, insisted upon reserving the right to approve the story and cast and different things having to [207] do with the production, and Metro insisted on it in this contract. As a consequence, we first had difficulty with them as to the second picture which was to be made. They wanted us to produce what they called a musical picture, musical extravaganza, and our judgment was against it. That was the time

(Testimony of Neil S. McCarthy.)

when sound came into pictures. It came into pictures at the time of the termination of the Pathe Contract and the making of the Metro contract. Prior to that time all that you saw on the screen was figures. You heard no spoken voices or words. You merely had titles.

The art of photographing sound so it could be projected on the screen with the action itself had been perfected and was being perfected a few years prior to that time, and had been perfected about that time. There was quite a bit of demoralization as to the type of product to be made, and many of them wanted to make musical comedies, extravaganzas. They had been done. It was much the same story. They wanted us to do it. Our judgment was against it. They insisted on the second picture being a picture of that type, and we made Madam Satan, and I want to say that that picture almost ruined us.

I hope I am not offending Mr. de Mille when I say that. It was disastrous to us. Mr. deMille felt at the time that it was not the picture to make, and his judgment proved correct. The very thing I knew would happen did happen.

One of the principal sports, if you want to describe it that way, in the motion picture industry, particularly among the executives, is [208] passing the buck. When a picture is bad it is the fault of somebody other than the executives. If it is good it is because of their foresight that it was a good picture. Madam Satan was not up to expectations. They criticized our organization very harshly for making the

(Testimony of Neil S. McCarthy.)

picture. They said our organization was not up to date. They did not like our writer. We had a writer whom we had had ever since we started, Jeanie Macpherson. They claimed she could not write; that our organization was bad and could not make pictures. They refused to renew the contract although they did try to induce Mr. deMille from us and offered him a job as director. They offered him a contract to develop pictures for them, but they would not give the de Mille Productions, Inc., another contract for producing motion pictures for them.

On account of Madam Satan and the fact, as I say, that they attempted to pass the buck to us on it, we could not get a contract for over a year. I think we were a year and a half before we could get another contract to produce motion pictures. They passed the word down the line to all the organizations in the business that our organization could not produce pictures. They said that Mr. de Mille was fine and could direct pictures but that he could not produce pictures. I think from that time on until this contract was terminated—I would like to refresh my memory on that date of the termination of that contract, if I may. I would like to get the dates exactly, if I may get them from Miss Rosson, to get it accurately.

The Metro contract terminated in April, 1931, and the Paramount [209] Publix contract started in July, 1932. We were over a year before we could get a contract with anybody to produce pictures. The contract which was terminated in 1931 is the contract of July 31, 1928. That is what we call the Metro contract.

(Testimony of Neil S. McCarthy.)

The termination agreement between Pathe and the de Mille Productions provides for in Exhibit A setting forth the organization, the equipment and storage, etc., which we were to have upon the termination of that contract. This document shown to me is that Exhibit A, which contains in my handwriting, "Exhibit A to agreement of April 18, 1928, between Pathe Exchange, Inc., Cecil B. de Mille Pictures Corporation and Cecil B. de Mille Productions, Inc., and Cecil B. de Mille." It is initialed by Cecil B. de Mille, "C. B. de M." and by Jesse Lasky, "J. P. K."

Whereupon the document last identified by the witness was received in evidence as Petitioner's Exhibit No. 13.

Continuing, the witness testified on cross-examination as follows:

The Ten Commandments is the picture which was made under the contract of August 16, 1920. That was made immediately prior to the contract of 1923. The taxpayer was obligated to pay some excess costs. That results from this, we agreed to produce the picture. They agreed to advance us a certain amount for production of the picture. We were to produce the picture and deliver it to them. When they advanced the money then we were to produce the picture and deliver it to them, when they advanced the money that they had agreed to but, as a matter of law, we were obligated to do it, but not because of any express provision in [210] the contract as to that. There is no express provision in the contract stating that if the amount of money which we agreed to

(Testimony of Neil S. McCarthy.)

advance to you for the cost of production is not sufficient to complete it, you shall, nevertheless, complete it and deliver it to us and pay the money. That is the result of the contract. I suppose you would call that my interpretation of the contract. It is the agreement between the parties. We did not pay the excess cost. We compelled them to because I contended it was theirs. They agreed it was theirs and, consequently, agreed to advance the additional cost. We offered, at that time, however, to take the picture over, take over the entire thing for $1,000,000.00, buy all of their interest in it, and take it off of their hands, and buy them out, terminating the contract for the full amount which had been expended at that time, which was $1,000,000.00. They did agree they would terminate the contract and sell out their interest and we pay them the amount. We then set about to borrow the money because we did not have the money to do it. When we felt that we would be able to get other people to come in with us to buy them out, terminate the distribution contract, we notified them to that effect, and Mr. Zukor told me later that they went down to the bankers and they were so enthused about it that they would not sell and they could not close the contract. We did not buy the picture. We did not buy their interest in it. I first became interested with Mr. de Mille in the production of pictures about 1914 or 1915 I became a member of the partnership with Mr. deMille. [211]

The witness was then asked the following question:

(Testimony of Neil S. McCarthy.)

"When was that partnership organized?"

Whereupon counsel for petitioner objected to the question on the ground that it was immaterial to the issues in the case and improper cross-examination. The objection was overruled and an exception was noted. The witness continuing, testified as follows:

The partnership articles were signed in 1920 They are dated the 16th of August, 1920. The actual completion of the organization was not, however, on that date. It had been discussed for some two or three years and I think was actually completed some two or three months after this date, but that is the date of Mr. and Mrs. de Mille's marriage, and he stated he considered that his lucky date, and he wanted that date fixed on the partnership articles, and that he wanted everything dated as of that time, so that is why it was dated the 16th of August, and that was not the date when the partnership was organized. The document before me is a copy of the articles of partnership.

Whereupon the document so identified by the witness was received in evidence as Respondent's Exhibit "A".

Continuing, the witness testified:

"I would say, at approximately the same time I entered into the partnership I signed an option in favor of Mr. de Mille to sell to him the interest I was acquiring in the partnership. This option which you handed me is dated the 2nd of November, 1920, but it was part of the same transaction. It bears a different date. I think this date [212] of the second

(Testimony of Neil S. McCarthy.)

of November, 1920, is probably the time when the partnership organization was finally perfected and the articles signed. I think the document you have handed me is a copy of the option agreement which I executed. There is no doubt in my mind about it. I am confident it is a copy of the original. I say that because I have not compared it.

My answer to the question, if that is the agreement which carried over into the corporation and under which I sold my stock to Mr. de Mille, has to be no. There was no option, as I recall, given to Mr. de Mille to buy my stock in the corporation at the time. Would you like to have me explain that without the necessity of questions? I will be glad to do it. At the time the partnership was organized this document was signed. Later a corporation was formed and I received stock in the corporation in proportion to my interest in the partnership. Mr. de Mille had no option on that stock. That is my recollection. I sold the stock, nevertheless, to Mr. de Mille pursuant to the terms of this document."

Whereupon the document last mentioned by the witness was received in evidence as Respondent's Exhibit "B", over petitioner's objection and exception. The objection was on the same grounds as stated heretofore.

I had no knowledge of the execution of another option executed by another member of the original partnership. I prepared the form. I did not know that it was executed and was in effect similarly as

(Testimony of Neil S. McCarthy.)

this. [213] but I am confident that it was. I would say I know that it was. I am being a little technical. If you ask me if I saw it signed or saw the signed document I did not, but I know it was signed and was in existence.

There is an option contained in the articles of partnership itself in which each of the partners is given an option in the interest of the other. In the event that they desired to sell their interest in the partnership the other partners had a right to buy it in the following order:

Mr. de Mille having the first, Mrs. de Mille having the second, Mrs. King the third and myself the fourth.

In addition to those options I prepared options which I advised Mr. de Mille to have executed by Mrs. de Mille, by Mrs. Adams, and myself giving the options to buy our interest at any time within a period of six years, which was the time he stated he felt we should be able to make a success of the organization. I know the options were signed by Mrs. de Mille and Mrs. Adams as well as by myself. In form they were similar to the ones which have been introduced as Respondent's Exhibit B. They were executed and not exercised. My option later on you could not say it was exercised because it did not carry over into the corporation but I wanted Mr. de Mille to take back my stock and so stated and we discussed the matter and he took it

(Testimony of Neil S. McCarthy.)

back. Mr. de Mille took the stock back as though that option had carried over into the corporation. I do not think Mr. de Mille gave the matter [214] any thought. I would not say he had any such understanding the option had carried over into the corporation. That option was entirely my suggestion, I think. He may have thought he had something to do with it. The other option form exhibited to me was Mrs. Ella King Adams; Mr. de Mille's mother-in-law. That is in precise language with the one which is in evidence as Respondent's Exhibit B.

Ella King Adams is Mrs. de Mille's step mother. The partnership, as originally composed, consisted of Mrs. Adams, Mr. de Mille and Mrs. de Mille and myself. When the property of the partnership was turned over to the corporation each of us got common stock of the corporation in proportion to our interest in the partnership. In the year 1924 Mr. de Mille bought my stock interest in the corporation. He bought it at my insistence. I do not think I would even say suggestion. I wanted to get out because I had been very sick. I had a nervous breakdown in 1923 and I was out,—I had, I think, pneumonia and a lot of things and I was out for approximately a year and during the time I was gone or after I got back—Mr. de Mille and I had been the very closest of friends and we are still and I am sure we always will be—more than just friends. We have been exceptionally close and when you

(Testimony of Neil S. McCarthy.)

are sick from nervous breakdown you do not do things normally. You are irritable. I became irritated at the situation which I felt existed when I got back. I felt Mr. de Mille had not just the complete confidence in me that I would like to have had him have and, as a consequence, I [215] suggested to him that he take the stock. It was not Mr. de Mille's suggestion at all. He never asked me to sell it to him. That option was limited to six years because Mr. de Mille stated that it took that length of time to make a success of the Lasky Company which he had originally organized and he wanted all of us to participate with him in the success of this company which he felt we would do if we retained our interest. As a matter of fact, the option was my suggestion and I insisted that he take it out of consideration to him. He was giving me an opportunity to go into partnership with him and we had been such close personal friends that I did not want in any way to impose on that friendship.

At the time that I sold my stock I also had some interest with Mr. de Mille in other ventures and I asked him to take them all at the same time and an agreement covering the entire transaction was executed. I have a copy of that agreement. The document shown to me is the agreement which was executed at the time I sold my stock to Mr. de Mille.

Whereupon the document last mentioned by the witness was received in evidence as Respondent's

(Testimony of Neil S. McCarthy.)

Exhibit "C" over petitioner's objection and exception. The objection was the same.

At this point the respondent offered and there was received in evidence, over petitioner's objection and exception, the agreement under which Mrs. Adams sold her stock to Mr. de Mille. The objection was the same.

That is my signature on the two documents shown to me. One is [216] the income tax return headed, "Partnership and Personal Service Corporation return of Income for Calendar Year 1920," and the other is headed, "Partnership and Personal Service Corporation return of Income for Calendar Year 1921." That is my signature on each of them. Mr. de Mille also signed this one in 1920.

I don't know if a partnership return was filed for the period in 1922 from January 1, 1922 up to the date of the organization of the corporation.

Whereupon the partnership returns for 1920 and 1921 so identified by the witness were offered and received in evidence as one exhibit, marked Respondent's Exhibit "E", over petitioner's objection and an exception was noted.

The witness was then asked the following question:

I call your attention to Respondent's Exhibit E, which constitutes the partnership returns of the Cecil B. de Mille Productions for 1920 and 1921 and I call your attention to the schedule B of the 1921 returns and I will ask you if there was dis-

(Testimony of Neil S. McCarthy.)

tributed to you the sums shown on that return as your distributive interest for that year?

The question was objected to as irrelevant and immaterial. The objection was overruled and an exception was noted.

The witness, continuing, testified: I had a ten per cent interest in the partnership, that is shown on the statement. Referring to Respondent's Exhibit E, I don't understand this shows this as my distributive share. The column which has been pointed out to me says [217] "Other Income." That shows the total of the profit from the partnership operations for the year segregated into the percentages owned by each of the partners. I did not receive that amount in that column which is opposite my name, which is $16,491.68. There was no intention of paying it out to me or paying the other items and it was not paid and there is no representation on there that it was. I believe, however, I did pay an income tax on it.

I said I did not understand the return shows a distributive share. It is not designated distributive share. That is the percentage of the accumulated earnings of the partnership, which is equivalent to the interest which I owned in the partnership. I did not receive it. It was not paid to me.

I would rather not interpret, the explanations given on the return, the printed instructions, and so forth which describe what that is supposed to be, even. I did not get the sum indicated there.

(Testimony of Neil S. McCarthy.)

There was never any thought or representation in that return that I got it. I don't know if we filed a partnership return for the year 1922.

Referring to this 1920 partnership return and to schedule C thereof, I do not like to quibble with counsel but this is not headed "Distributive Interest." There is my name, Neil S. McCarthy. In the next column it says, "10 per cent" and then opposite that $5,137.13, which I did not receive. I do not see any intimation here that I did receive it.

I recall that at or about the time the partnership was organized [218] a contract was entered into between the partnership and Mr. C. B. de Mille. I am satisfied the document handed to me is a copy of the contract.

Whereupon counsel for petitioner offered and there was received in evidence as Petitioner's Exhibit No. 14 the original contract between the de Mille partnership and Cecil B. de Mille, copy of which the witness had last above identified. Continuing, the witness testified:

The way in which the partners fixed the compensation of the different people who were members of the partnership and who it happened were important in rendering their services in the partnership—in arriving at the compensation of the members in the partnership we discussed the entire situation with the partnership. I recall one discussion was whether or not we should take very little and permit the partnership to accumulate what we

(Testimony of Neil S. McCarthy.)

had planned on doing, enough money to finance our own productions or whether we should take out what we felt our services were completely worth, or that we should be paid a substantial compensation and work in that manner. It was finally decided, so far as I was concerned—I felt I wanted a certain amount and stated that to Mr. de Mille and the other members of the partnership approved it, and it was agreed to be paid to me. That was $10,000.00 a year, as my salary as attorney for the partnership, I was under a retainer prior to that with the Famous Players Lasky Corporation. I was attorney and did things for Mr. de Mille, as well. I don't know how much I ever charged him for what I had done for him [219] prior to that time. He, of course, had been associated with the original Lasky company. I have represented Mr. de Mille and the de Mille corporation and Mrs. de Mille—I would say I have been Mr. de Mille's attorney really since 1914 and am at the present time and if I am fortunate I hope to continue to be.

In fixing my compensation at $10,000.00 a year as attorney for this partnership, it was not understood that I was not to withdraw any of the partnership earnings. We did withdraw some earnings. What we wanted to do was to try to build up enough money in this company to produce and finance our pictures. We had to finance through somebody else because we did not have our own capital. I understood that situation thoroughly be-

(Testimony of Neil S. McCarthy.)

cause I had been in the business at that time some six or seven or eight years since the original Lasky company, and there was no agreement that there were to be no earnings distributed, if that is what you mean. No such agreement was ever made at any time. We did distribute some of those earnings through the partnership. In 1922, I am confident, there was a 100 per cent dividend. I don't know anything about the return, whether it was made or not, but if it was it should show and would show. You must have known it because it was so stated to all of your people. I don't know if we filed a return for 1922. I know that during that year there was a dividend paid. My recollection is that it was a 100 per cent dividend. I got at that time my proportion, whatever it was. It was a 100 per cent dividend. I put in $2,500.00 into the partnership, money.

Continuing, the witness testified, and the following occurred: [220]

Q. Was that the only distribution you ever received from the partnership?

A. I did not finish my answer. I put in $2,500.00 of my money in this partnership when I went in, and I received $2,500.00 dividend if it was a 100 per cent dividend, which it was, according to my recollection, in 1922.

Q. Is that the only distribution you ever received from the partnership besides your salary?

A. The partnership was then changed. The

(Testimony of Neil S. McCarthy.)

corporation was formed and the partnership then transferred its assets to the corporation and I received dividends from the corporation after that.

Q. My question was, that was the only distribution you received from the partnership?

A. The partnership went out of existence about that time.

Q. That is right.

A. Yes, that is correct, answering the other way, too.

Q. Do you recall at the same time that the partnership entered into a contract with the Famous Players Lasky Corporation Mr. de Mille also entered into a contract with the Famous Players Lasky?

A. No. The way you describe it is not correct. Just a minute. I will answer it.

As a part of the contract between the Famous Players Lasky Corporation and the de Mille partnership the Famous Players Lasky Corporation required Mr. de Mille, because we agreed that he would direct the pictures we were to produce for them, and as a consequence they did [221] what is customary in contracts of that kind in the picture business, to require the individual who is either the director or principal artist in connection with the venture to guarantee that he would perform the things required of him in connection with the production of the pictures. That is what Mr. de Mille did.

(Testimony of Neil S. McCarthy.)

Q. You have a document before you. Will you identify it?

A. That is the one you just deposited here?

Q. Yes.

A. That is correct. That is the agreement.

Mr. LEMING: I offer it in evidence.

Mr. MACKAY: Pardon me. May I ask the purpose of your offer?

Mr. LEMING: The witness has testified, I believe that it supplemented the contract of the partnership and the Famous Players Lasky Corporation.

The WITNESS: Contracts of that type are always required by any company, distributor or bank in advancing money for the production of pictures. They always take a guaranty contract from the artist in connection with those pictures to perform the service required by the producers. That is the purpose of that contract and it is the document that went with the contract between the partnership and the Famous Players Lasky Corporation in 1920 or 1922.

Mr. LEMING: Which is in evidence as Petitioners' Exhibit 7?

The WITNESS: I do not believe I have that exhibit.

The MEMBER: It is the contract of August 16, 1920.

The WITNESS: That is correct. It was required as a part of that contract. [222]

(Testimony of Neil S. McCarthy.)

Mr. LEMING: That is petitioners' Exhibit 7, if your Honor please. It seems to me that it is admissible as a part of the same.

Mr. MACKAY: The same objection, on the ground that it is incompetent, irrelevant and immaterial.

The MEMBER: The objection is overruled. It will be received as Respondent's Exhibit F.

(The document referred to was received in evidence and marked "Respondent's Exhibit F", and made a part of this record.)

Mr. MACKAY: I want to place this in evidence. If it will save time I will be very glad to do so (indicating).

Mr. LEMING: If they want to do that they may go in right now without objection.

The MEMBER: These relate to what contract?

Mr. MACKAY: The one of August 16, 1920.

The MEMBER: That is Exhibit 7. What does the other one relate to? Are they both on that?

Mr. MACKAY: Yes, I think so. These are two supplements. They are letters of correspondence between the parties explaining the terms of the contract. I should like to have them go in as a part of Exhibit 7.

The MEMBER: Let them be attached to and become a part of petitioners' Exhibit 7.

Mr. MACKAY: These being the originals I should like the opportunity to submit copies.

The MEMBER: Very well.

(Testimony of Neil S. McCarthy.)

Mr. LEMING: May the record show the dates of those so they may be properly identified? [223]

The MEMBER: Yes.

The CLERK: The first one is dated New York City, New York, February 19, 1921, and the second one is the letter dated November 17, 1920, addressed to Mr. Cecil B. de Mille.

Mr. LEMING: Signed by whom?

The CLERK: Signed by Cecil B. de Mille and Jesse L. Lasky.

By Mr. LEMING:

Q. I call your attention to Petitioners' Exhibit 5 which is a receipt for $40,000.00, being in full payment of the amount due to the undersigned this day under that certain agreement dated the 23rd day of January, 1925, between the undersigned, Thomas H. Ince Corporation and the said Cecil B. de Mille Productions, Inc. Was there any actual cash paid out by this taxpayer in that connection?

A. $50,000.00. You mean does this receipt for $50,000.00—did they actually give the $50,000.00 of which this represents to be a receipt?

Q. Yes.

A. They certainly did. That was the first payment down on the Ince Studios, as I recall it, on the purchase of them. I was a little uncertain on that this morning, whether it was $50,000.00 at one time. It was $10,000, according to the receipt at one time and $40,000.00 at a subsequent time.

(Testimony of Neil S. McCarthy.)

Q. How did the stock of the Cinema Corporation of America enter into that transaction? [224]

A. Which transaction?

Q. The purchase of the Ince Studio?

A. It did not enter into the purchase of the Ince Studio at all at this time. This was purchased by the Cecil B. de Mille productions. We later transferred the studio and the de Mille Company properties, the equipment, etc., to the de Mille Pictures Corporation. Then we transferred the stock of the de Mille Pictures Corporation to the Cinema Corporation for stock of the Cinema Corporation.

Q. The affidavit executed by Mr. de Mille in January, 1933 makes this statement:

"The Cecil B. de Mille Productions, Inc., reorganized its entire structure and as a part thereof we organized the Cecil B. de Mille Pictures Corporation and transferred the contracts of the actors and actresses and others and the physical properties used in the production of motion pictures to the Cecil B. de Mille Pictures Corporation and took all the capital stock of the Cecil B. de Mille Pictures Corporation. We then turned in all the stock of the Cecil B. de Mille Pictures Corporation to the Cinema Corporation of America for $40,000.00 in cash, which was part of the purchase price of the studio property and 100,000 shares of common stock and 7,474 shares of the preferred stock of the Cinema Corporation of America." Is that correct?

A. That is a mistake. If that affidavit states that

(Testimony of Neil S. McCarthy.)

it is a mistake. We did not get any money from the Cinema Corporation, according to my recollection. I know positively that we paid $50,000.00 on this contract. The point I am trying to recall is whether we got [225] any money at any time from the Cinema Corporation, $40,000.00 or any other sum. I do not think we did. I am positive the money we paid on this contract was for the purchase of the Ince Studio and we never got any money from the Cinema Corporation. That is a mistake, I am confident.

Q. In order that you may be sure of the source of that information I just wanted to call your attention to the document which I have read. I will ask you if you recognize that as Mr. de Mille's signature (indicating)?

A. Yes. Where is the point from which you are reading?

Q. Beginning with the last part on page 30.

A. That is very clearly an error. That is not correct. The other affidavits which you have show that it was turned in for 100,000 shares of common stock and 7,474 shares of preferred stock, and your other affidavits which were furnished you before so show.

Q. I don't know what affidavits you are talking about.

A. Other affidavits furnished to you or Mr. Caldwell and to Mr. Gowdy in Los Angeles. I told them the entire transaction personally.

Q. What were the dates of those affidavits?

(Testimony of Neil S. McCarthy.)

A. I don't recall. I do know definitely that I personally told Mr. Gowdy, who is your agent in Los Angeles, and Mr. Caldwell, the man who examined this transaction, on two or three separate occasions the entire history of that transaction.

Q. Was that subsequent to or prior to January, 1933? [226]

A. Prior to that; long prior to that.

Q. This affidavit of Mr. de Mille is dated January, 1933.

A. It is a mistake. Your department had information to the contrary, the correct information.

Q. Will Mr. de Mille be in a better position to know the facts than you are?

A. Not as good, because I handled the transaction. He directed the pictures.

Q. In that connection, have you a favorable opinion of Mr. de Mille's financial ability, generally?

A. Yes.

Q. Do you have a very favorable opinion of his capacity to take care of himself in financial situations?

A. I would say no. I say that because he has acted contrary to my advice in financial matters and I will not give myself the benefit of a doubt. I think Mr. de Mille is a pretty good business man in some ways but I think his judgment on his own financial matters is not so good in some instances.

(Testimony of Neil S. McCarthy.)

Q. What do you think of his ability as a director?

A. I have always thought that he was one of the very best in the business. Mr. de Mille thinks that there are some others who are better than he. I think, without question, he is one of the very best in the industry.

Q. There are not very many who compare with him, are there? [227]

A. There are some. He is different from the others, if you would like to have me describe it exactly.

Q. All right.

A. There are probably better directors who simply take a motion picture and direct it as we consider a director. Mr. de Mille has executive ability going with that. He is what we call a producer and has the ability to produce rather than to merely direct. A director of a motion picture will put his hat on his head in the morning and he goes to the studio and everything is on the studio for him and he takes his manuscript and says "Camera." When the time comes to quit at night he goes home or to a party and does not worry about anything. Mr. de Mille is not that type of a man. He has an ability beyond that. He not only can start the camera clicking in the morning, but he is exceptional in story construction, in all the details of the production of a motion picture. He has ability far beyond directors, but some directors may have, so far as the pure

(Testimony of Neil S. McCarthy.)

technical direction is concerned, ability beyond him.

Q. You would place him in the very first rank as a director, would you not?

A. Yes. I would think he is close up to the first rank. There are some better than he.

Q. Do you have any idea how many?

A. Not many. I would say not more than two or three. I am really sorry you ask this because I hate to state it in his presence. As an exact and impersonal fact I think that is correct. [228]

This corporation was organized to take over the business of the partnership. The partnership was organized in 1920. The organization of that partnership was first mentioned to me by Mr. and Mrs. de Mille I think about 1918; probably the early part of 1918. They called me to their home one evening to discuss the matter with them and stated they had definitely decided to organize a company to produce motion pictures themselves. Mr. de Mille stated, and I can not state what he said to Mrs. de Mille—he stated that the Lasky Company had developed beyond the point where he was an important factor in it as he had been when originally organized and that he felt insecure in it; he was having continuous conflict with them as to the type of product to be made and was generally satisfied with the situation, and he stated they had decided to organize a company to produce motion pictures themselves, and I at that time was attorney for the Famous Players Lasky Corporation and as attorney I did quite a

(Testimony of Neil S. McCarthy.)

bit of executive work for them in the negotiation of contracts for land, studios, rates, and so forth. He asked me if I would become a member of the organization with him. I stated to him, after discussing it—I am giving you the important points—I was the attorney for the Famous Players Lasky and while I was his attorney, also, I felt that I owed it to the Famous Players Lasky to tell them of his decision, and I did not want to violate his confidence, but I asked his permission to first tell the Famous Players Lasky Corporation of the decision, and stated that if they did not do something to [229] satisfy him that I would then become a member of his organization and go with him. He realized and I did that it would necessitate the severance, probably, of my relation with the Famous Players Lasky Corporation. Taxes were not mentioned at all at that time in the conversation. I was asked by one of your representatives whether the taxes were ever discussed or if we had them in mind. Of course, we had taxes in mind. We could not get away from taxes during that year, but if you mean did we discuss the organization of this corporation or the partnership and how it would affect the payment of taxes by Mr. de Mille, Mrs. de Mille, myself or that partnership, no, that was not only not a part of any agreement, but it was never discussed in that manner whatsoever.

In the conversation at which Mr. and Mrs. de Mille told me first that they had decided to organ-

(Testimony of Neil S. McCarthy.)

ize a company to produce their own pictures the word "taxes" was never mentioned in connection with it. But we naturally had taxes in mind. I think every natural person at that time had taxes in mind and always had taxes in mind. It was not in my mind during that conversation, as I recall it now. It never was discussed at any time. That would apply generally throughout the entire transaction. It applies to me so far as taxes are concerned, right up to this minute.

If I had a corporation to organize I think I would consider at the same time the question of taxes. I would have in mind what I was going to have to do. I would have in mind all the eventualities in any contract that I would form and in anything else that had to do with the corporation. [230]

This partnership was organized finally probably a year after that conversation, possibly a little more, and up to that time and even during the time of the conversation the avoidance of taxes was never mentioned.

When I say I stated to Mr. de Mille—I asked his permission to disclose to the Lasky Company what he had stated to me and he granted that permission. I told them and they apparently lulled Mr. de Mille into a position where he at least postponed the formation of his company for some year or a year and a half. I do not remember the exact date. I am talking about the partnership now. The partnership was the first company that was organized.

(Testimony of Neil S. McCarthy.)

That was organized as a partnership at my suggestion, I am pretty sure. If you would like the history of that I would be very glad to testify to it. I think it is important.

Among other things, Mr. de Mille said to me at that time and called attention to the fact that the Famous Players Lasky, which was a merger of the old Jesse L. Lasky Company, which was originally organized by Mr. de Mille, Mr. Lasky and Mr. Goldwyn—that old Jesse L. Lasky Company had been merged with the Famous Prayers into the Famous Players Lasky Corporation—it had been merged into the Famous Players Lasky Corporation for which he was then working—he stated this Famous Players Lasky Corporation was removing from time to time certain of the old Lasky people and that he felt insecure because of that, also.

Referring again to the affidavit, on which I identified Mr. de Mille's signature and to a letter which begins on page 7 and is concluded [231] on page 8 of the affidavit, that is a formal letter which was formally delivered to the Famous Players Lasky Corporation at the time the partnership was about to conclude its arrangement with the Famous Players Lasky Corporation for a distribution contract.

Mr. LEMING: I offer that letter in evidence as respondent's Exhibit G.

The MEMBER: Is there any objection?

Mr. MACKAY: The same objection.

(Testimony of Neil S. McCarthy.)

The MEMBER: What is that? That it is incompetent, irrelevant and immaterial?

Mr. MACKAY: Yes.

The MEMBER: Does it relate to this matter we are talking about, Mr. Leming? You have not told me anything of it.

Mr. LEMING: Yes, if your Honor please.

The MEMBER: Very well. The objection is overruled. It will be admitted as respondent's Exhibit G.

Mr. MACKAY: Exception.

(The letter referred to was received in evidence and marked "Respondent's Exhibit G", and made a part of this record.)

Mr. LEMING: The letter is incorporated in that affidavit. I assume there is no question as to that. We can use a copy.

The MEMBER: What is the date of the letter?

The WITNESS: It is dated August 14, 1920, your Honor. [232]

Mr. LEMING: It is addressed to the Famous Players Lasky Corporation, attention Mr. H. D. H. Connick, Alexandria Hotel, Los Angeles, California, and is signed "Cecil B. de Mille, by Neil S. McCarthy." We will supply a copy before the proceedings are over.

The WITNESS: Mr. Connick at that time asked me to give him such a letter. He was a representative of the Famous Players Lasky Corporation.

(Testimony of Neil S. McCarthy.)

Continuing, the witness testified:

At the time the corporation took over the partnership assets, I do not know offhand how much money Mr. de Mille owed the partnership. I do know what the Mercury Aviation Company was. I organized the company. The stock was owned by Cecil B. de Mille, Mr. Harry Chandler, and Mr. Dodd I think had some stock. I can not recall whether John Fisher did or not. There were several other stockholders. I don't recall how much of the stock Mr. de Mille had. He owned a very substantial part of it. I would think he was the dominating stockholder in it, probably the largest stockholder in the company. He became a much larger stockholder at one time when the company finally proved to be an unsuccessful venture. He bought back from those who had bought stock because he considered it a confidence in him and he insisted on giving their money back and taking over their stock, and then he became the largest stockholder in the company. I do not know how much money that Mercury Aviation Company owed the partnership at the time the assets were taken over by the corporation. I don't know that I ever [233] had any knowledge concerning it. I think, without question, I may be able to get that information. I think Mr. Fisher was manager of the Mercury Aviation Company and would probably know.

We organized two companies, one to operate in California and one to operate in Arizona. My recollection is that we organized the Mercury Aviation

(Testimony of Neil S. McCarthy.)

Company which operated in California. There was a stockholders' liability in California. And then we organized the Aviation Securities Company in Arizona and the Aviation Securities Company owned all the stock of the Mercury Aviation Company. I think that is the way the transaction was handled. That was because this was the first commercial aviation company in the United States. I am confident of that. It was a new venture. It is a thing being done now. We knew the hazards of it. We wanted to avoid that stockholders' liability and we had the stock owned by the Arizona Corporation, where there was no stockholders' liability. During the time we had that company we made 25,000 flights. That was in 1918 and 1919. And we never had one accident. It was finally terminated I think around 1921 or 1922.

Continuing, the witness testified.

Q. When the corporation took over the partnership assets do you recall if the notes receivable or accounts receivable which were taken over from the partnership included those of Mr. de Mille, the Mercury Aviation Company and the Aviation Securities Company?

A. I do not recall them as separate entities. I think it took over all the assets of the partnership.

[234]

Q. Which would have included the notes receivable?

A. I may have had knowledge and probably did of whatever was in existence at that time, but I have

(Testimony of Neil S. McCarthy.)

no knowledge now of what those notes receivable consist of.

At this point the following occured:

Mr. MACKAY: I shall be very glad at this time to offer a certified copy, which just arrived, of the application of the corporation to issue its stock originally, and in that it shows what the stock was issued for. It will show the assets received and the liabilities, and among the assets were certain loans receivable. That may shorten this. I offer that as Petitioners' Exhibit 15.

Mr. LEMING. No objection to it.

The MEMBER: Petitioner's Exhibit 15 will be received in evidence.

(The document referred to was received in evidence and marked "Petitioners' Exhibit No. 15" and made a part of the record.)

The witness' attention was then called to Petitioner's Exhibit 15 and to that part under Paragraph 4 which sets forth that the corporation has received, and subject to the approval of the Commissioner of Corporations, has accepted an offer from Cecil B. deMille, Constance A. deMille, Ella King Adams and Neil S. McCarthy, being the partners composing the Cecil B. deMille Productions, to transfer to this corporation the property hereinafter described, which description is as follows, to-wit, and then in the assets listed is an item of loans receivable, $140,578.45. The witness was then asked if he had any knowledge of the detail of those loans and he replied in the negative. [235]

(Testimony of Neil S. McCarthy.)

At this point, the witness' attention was directed to petitioner's Exhibit No. 4 and to that part of the Exhibit which is the minutes of the petitioner of April 2, 1923 and he was asked if he was present at that meeting. Whereupon the witness, continuing, testified as follows:

I was present at that meeting. I recall the discussion. I recall the transaction.

Whereupon the witness, continuing, testified and the following occurred:

Q. Do you know what particular indebtedness was under discussion at that time?

A. Yes, the indebtedness of Mr. deMille to the corporation. He owed the corporation some money and he wanted to get it paid. We tried to devise a means of getting it paid and decided to take Laughlin Park, which consisted of about 10 acres, and then have it subdivided and sell a portion of it, which we did. That was subdivided and portions of it were sold. I think we made a nice profit on the deal with Mr. deMille, much more than the price at which he gave it to us.

Mr. LEMING: If your Honor please, I am not going to waste time in moving to strike these long unresponsive answers which the witness has been making. Parts of the answers are not responsive. I submit these kinds of answers are unresponsive.

The MEMBER: I shall not coach the witness. I think he is disclosing very fully each transaction concerning which he is questioned. It is quite true that he is not giving you yes and no responses to your questions. It is very apparent that he knows

(Testimony of Neil S. McCarthy.)

of these transactions and he is in the shortest way possible giving us his knowledge of them. I shall not censure him for that.

Continuing the witness testified:

Mr. deMille's residence is on the property which I have referred to as the Laughlin tract. His residence was on it at the time he transferred it to the corporation (petitioner). May I describe it so you will have the facts? There is a residence on this property in which Mr. deMille [236] lives. The property consists of ten acres. That was the ten acres, including the place in which he lived, which we took over. That was in payment for an indebtedness of Mr. deMille's to the corporation. I do not know when that indebtedness originated. I probably did at the time. [237]

Q. You are unable to say, then, whether it originated as a debt to the partnership?

A. No, I can not say that. It may have been one of the obligations that we took over from the partnership. I don't recall.

Q. Do you know whether or not it also included some of the indebtedness due to the partnership by the Mercury Aviation Company and the other company, the Aviation Securities Company?

A. My answer is entitled to just the same weight in this, if I may make that explanation, because I have a faint recollection that I may be in error, that Mr. deMille at the time that Mercury Aviation Company was stopped, felt responsible for the com-

(Testimony of Neil S. McCarthy.)

pany and he did, as I say, buy some of the stock that these other men had purchased, relying on him. He bought it back from them when it was unsuccessful. I have a very faint recollection now that he at the same time felt obligated to take over the indebtedness of that company to the partnership and that he assumed it personally. That company was a company in which the public owned stock. There were probably a dozen of the most prominent people in Los Angeles who were stockholders who had come in largely through Mr. de Mille and he did not want to go to them for that money and he assumed it himself. That is my recollection.

Q. Is it your recollection, then, that that formed part of this indebtedness which was being discussed in the minutes of the meeting to which your attention has just been called? [238]

Mr. MACKAY: I object. That is unfair.

The MEMBER: This gentleman can take care of himself.

Mr. MACKAY: I have found that out.

The WITNESS: My recollection is very faint on that. I think it probably was. That was one of the items that was part of the indebtedness. The indebtedness probably consisted of more than one item. I have a very faint recollection of such a transaction where Mr. de Mille assumed that indebtedness himself.

By Mr. LEMING:

Q. Which had arisen during the existence of the property? (partnership)

(Testimony of Neil S. McCarthy.)

A. Yes. The corporation itself could not have paid the indebtedness. It went broke. We were ten or fifteen years ahead of the time.

On redirect examination the witness continuing, testified as follows:

By Mr. MACKAY:

Q. I think you stated in answer to a question of Mr. Leming that Mr. de Mille had been associated as a director with the Famous Players Lasky Corporation and the Jesse L. Lasky Corporation?

A. Yes, that is correct.

Q. Did I understand you to say that he had talked to you some time in 1918 about forming a partnership for the purpose of employing him to become a producer? [239]

A. He did not mention partnership in that connection. He said he wanted to form a company and I later suggested a partnership. I think he wanted a corporation. I said that it would be better to have a partnership and said, "Let us have a partnership." Later on when the banks complained or made suggestions we changed it into a corporation.

Q. Did I understand you to say that he at that time wanted to get out as a director from Famous Players Lasky?

A. Yes, he did. He and Mrs. de Mille both said they wanted to form a company to produce pictures themselves and separate from Famous Players Lasky.

(Testimony of Neil S. McCarthy.)

Q. Did he express the reason why?

A. Yes. One of the reasons was that he felt his position there was insecure, and I knew of the statement made to me by Mr. Lasky himself and that made me sympathetic toward Mr. de Mille's position which he stated to me at the time. Mr. de Mille was making some pictures that became some of the biggest money earners of the company, but the Famous Players Lasky executives did not agree with the type of picture, but be finally made them, and Mr. Lasky stated to me that he wished they could get rid of Mr. de Mille. Those pictures later turned out to be some of the biggest money earners they had. I knew [240] when he told me, and I presume they did, too,—I knew when he made that statement that his impression was correct—was probably correct. I wanted them to make another effort to try to keep him with them.

Q. Are there any other points on this organization of this partnership that you want to clear up while you are on the stand?

A. There is one point that Mr. Leming did not ask me about that I expected him to. That was the reason why we arrived at the terms for the options and the price of $2,500.00 in my case. Would you like for me to give the facts there?

Q. Yes.

A. I think the matter of giving options was my idea. Mr. de Mille may have had the idea. I am confident he did not have it, however, because I had

(Testimony of Neil S. McCarthy.)

followed that practice in connection with any companies that I became associated with, with clients of mine. I have done it in other companies, to put the person who dominates the company in a position where he can not be taken advantage of. The fact that Mr. de Mille and I were very close friends was why I did not feel justified in putting him in the same position that he would be in if I were a stranger to him. There was the possibility that any member of the partnership could sell an interest to some stranger who might be unfriendly to him or who might not work in harmony, in as close harmony with him as we others would. [241]

In determining the term for it Mr. de Mille was the one who suggested six years because he stated it was approximately six years from the time the Jesse L. Lasky Feature Play, which was the first corporation with which he became identified in the motion picture business—it was approximately six years from the time that company was organized until they made a success of the company. That company was organized originally with Mr. de Mille, Jesse Lasky, Samuel Goldwyn, and a man named Arthur Friend. Mr. Friend was an attorney.

Mr. de Mille patterned this company exactly on the Jesse L. Lasky Company. He occupied the same position in our company that he had in the Lasky Company. Mrs. de Mille did the same work that Jesse Lasky had done and was as capable as Jesse Lasky. I did the work that Arthur Friend had done,

(Testimony of Neil S. McCarthy.)

which was as an attorney and some executive work, as well.

MRS. ADAMS went into the position of Mr. Goldwyn.

So he seemed to have in his mind in organizing this company the organization of the Lasky Company, which had been successful, and that he wanted to follow it.

Q. I think that is all unless you have something else.

A. I would like to correct my statement this morning.

Q. Oh, with respect to sound?

A. Yes. As a matter of fact, if I said "perfected," which I [242] undoubtedly did, that, of course, is not correct. Sound at that time had come to the point where they could show it on the screen without the audience leaving the theatre, and that is probably a more correct statement. I can remember when I was in college they used to try sound. Then they had the Edison sound, which was rather terrible. At this time they had begun to try to put it on the screen and it seemed to be practical. The people in the picture business are like sheep. When someone does something they all want to do that. Warner's had come out with an apparently successful sound picture and when they did that the others all started to do it. As a consequence, at this time every one was going to make nothing but sound pictures. There were not enough sound devices or sound studios to make the pictures. They did not know at

(Testimony of Neil S. McCarthy.)

that time yet what was the best system to use. It was supposed to be covered by patents. The General Electric Devices, I can not recall what they got out —it was controlled by General Electric, as I understand it. It later became what was called Erpi, and then the other devices were the devices of Warner's which was the Victor recording device.

It was all chaotic at that time. They built sound studios which cost from $350,000.00 to $500,000.00, to keep out every sound from the outside. A number of those things were done. Finally the companies themselves, not knowing what to do, banded together to use each other's devics so they would not spend the money. That [243] was a year or two later.

They used to have quarrels as to who would get to use the sound wagon, which had a transportable sound device to be transported on it, and they only had one or two of them and the different companies had to take turn about in using them.

Q. At the time you were a director in this company, the Cecil B. de Mille Productions, Inc., did you, as a director, have any intention in retaining your earnings, to relieve Mr. de Mille or any of the stockholders from paying surtaxes?

A. No. I paid surtaxes—taxes on my distributive share, I think Mr. Leming called it, in the partnership myself.

Q. I am asking you about the corporation. Were any of the earnings retained with that intention?

A. Never. As Mr. Fisher said, that matter was never discussed.

(Testimony of Neil S. McCarthy.)

Q. Was it intended at the time the corporation was organized that the earnings would be accumulated with the intention of relieving Mr. de Mille from surtaxes?

A. It was not. Neither Mr. or Mrs. de Mille, who was the next substantial stockholder. If I might elaborate on that, what we wanted to do—we tried to figure on what was the least amount we could accumulate before we could start the financing of our own pictures. We figured $4,000,000.00 was the least amount. I believe it would have been too small, looking at it now. We were directing all this time [244] our efforts, and I continued to direct my efforts even after I ceased to be a stockholder, in trying to help this company accumulate that much money because I had to negotiate the contracts for the distribution of our pictures and the financing of the pictures and I knew the handicaps under which we suffered by reason of having to go out to get that financing, not merely in the additional amount of money that it cost us, but in the things that the financiers always insisted upon. The financier always insists on meddling in the business and the development of the motion picture has today proven that the financier can not do it successfully.

Q. Would these financing companies pay you for the picture?

A. I tried to get money on a couple of occasions without getting it from the distributors although getting your money for the production from the distributor was a common practice at that time by the

(Testimony of Neil S. McCarthy.)

independent motion picture producers. The independent motion picture producers, as they are called, were those who did not have their own distributing organizations and their own theatres. The practice is for a producer to get a distributor who has to have a product to put through his distributing organization, which consists of selling agencies throughout the entire United States. Those selling agencies and their activities are quite broad. If they do not have a certain amount of product to put through their selling organization or distributing organization they lose money. They want pictures to [245] distribute. They finance the independent producers. They furnish the money for the production of the independent pictures to get them. Their terms are, in many instances, harsh. From their viewpoint they feel justified in keeping a control on what is to be produced because it is their money that is being put in, sometimes.

Mr. MACKAY: That is all.

Recross Examination.

By Mr. LEMING.

Q. In the making of pictures by the taxpayer, did they make any pictures which were not covered by the contracts in evidence?

A. I do not think so. I think you have got all the contracts.

Q. And all the contracts are in evidence under which pictures were made by the taxpayer?

A. I think so.

(Testimony of Neil S. McCarthy.)

Q. What was your principal function as an associate of Mr. de Mille in the partnership and in the corporation?

A. I took care of all the legal business, which you would describe as strictly legal business. In addition, I negotiated the contracts. If there were purchases of property or sales of property I handled that. I do not mean I found the purchaser but I handled those. In the contracts for the distribution of pictures I negotiated them largely myself. I think the terms were discussed by the Board, the main terms as to how much they would charge for distribution and [246] how much the return would be under certain conditions. I would then go on to New York and complete the negotiations, as a rule.

Q. That was a lawyer's job?

A. No. I think a modern lawyer is more than a lawyer. He has to be an executive as well if he is going to be of any real value to his client. The old idea was that the client asked the lawyer what the law was and he said thus and so and the client had to guess what to do. I think the modern lawyer has to tell not what the law is to his client but he has to tell him what to do and go ahead and do it.

Q. He has to carry out the ideas and wishes of his chief.

A. If I may presume, and I hope you do not think I am doing it, many of these contracts which I negotiated were rather my ideas. I never closed them, naturally, without being approved by the company eventually.

(Testimony of Neil S. McCarthy.)

Mr. LEMING: That is all.

The MEMBER: These gentlemen have asked you questions all day. Let me ask you one or two. Beyond the possible pride that you had in wanting to make your own pictures and the possibility of greater financial reward, had you been able to make your own pictures and distribute them was there any other motive for attempting to put this in shape so that you could make your own pictures?

The WITNESS: Yes. One of the most important was that we could make more money. For instance, Mr. de Mille, as a director, [247] never could have gotten the contract like the Pathe deal. In that deal we made over a million dollars just in the stock, and some of the compensation in the form of stock. We netted this corporation over $1,000,000.00 on that item alone within a year or a year and a half, and upon which the corporation paid a tax. A director never could have gotten into such a transaction.

The one other vital point, too, to me, in the production of pictures was that, as I say, the distributor expects where he is putting out money to have something to do with it, and the old Lasky Company was in a position to dominate us and they were preventing Mr. de Mille from making the type of picture he felt he should make. It is extremely important. I am afraid that I probably am not getting the picture as I know it to be to the court. That is one of the most important and vital things in this business, particularly with our company. I consider

(Testimony of Neil S. McCarthy.)

Mr. de Mille probably the best thinker in the business. He has proved in the years that I have known him, which has been practically since he started in business, that he is always ahead of the procession. Take the situation as to the Metro. We did not want to make a musical picture such as Madam Satan. Because we had to borrow the money from them they were in a position to dominate us and to require that we make that type of picture. We did and the picture was not a success. They condemned us in the industry for making that picture, Metro did. For over a year we could not get a contract with anybody to produce pictures for them, and yet they [248] offered Mr. de Mille personally a contract as a director.

The MEMBER: You started out by telling me of the difficulties you had up to this first contract with Lasky and then you went on to the contract under which The Ten Commandments was made.

The WITNESS: No. The Ten Commandments was under the first.

The MEMBER: All right. You had to suspend operations there for a day or two?

The WITNESS: Yes.

The MEMBER: You told me under the second contract with Lasky you had similar difficulties although they did not come to such a violent point, perhaps.

The WITNESS: That is correct.

The MEMBER: You intimated with your Cinema Corporation contract that you had quarrels.

(Testimony of Neil S. McCarthy.)

The idea I gathered is that under every contract you made from 1920, the partnership contract, which was taken over by the contract down to 1928——

The WITNESS (interposing): Down to the present, your Honor.

The MEMBER: I think 1928 is as far as you went in your testimony concerning the Metro contract. I gathered you had difficulties under every one of those contracts and a constant threat that you would have to drop them and look elsewhere for your distributing connections and your financing connections.

The WITNESS: That is correct.

The MEMBER: Is that the picture you intended to give me? [249]

The WITNESS: That is right. We were never secure as long as we had to borrow money for those pictures at any time.

The MEMBER: I hope my questions have not started you both off on a long lane.

Mr. LEMING: I have one, if your Honor please.

The MEMBER: I thought perhaps you would.

By Mr. LEMING:

Q. Did I understand you correctly to say that the million dollars which you say was made in the Pathe transaction, was from the sale of stock?

A. That is correct; approximately one million dollars.

Mr. LEMING: That is all.

The WITNESS: I want to explain that. That was stock which we got in connection with—I do

(Testimony of Neil S. McCarthy.)

that because I do not like an improper interpretation of the plain statement when it can be properly explained. That stock was stock which we got as a part of the contract whereby we agreed to go into the Pathe organization, and when we left the Pathe organization we disposed of it.

RUSSELL TREACY

being recalled as a witness by and on behalf of the petitioners, and having been previously duly sworn, was examined and testified on direct examination as follows:

I have the books in my hand of the Cecil B. De Mille Productions, Inc. Turning to the stock record the sum of $10,000.00 was paid for [250] the Ince Studio as an initial payment on the option contract. That check was paid on January 23, 1925, Check No. 1137, in the sum of $10,000.00. The books show an additional $40,000.00 was paid. The entry states, "On April 23, 1925, $40,000.00 was paid; Check No. 1424." [251]

CECIL B. de MILLE

being called as a witness by and on behalf of the petitioner and, having been first duly sworn, was examined and testified on direct examination as follows:

By Mr. MACKAY:

Q. What is your occupation?

A. Producer of motion pictures.

(Testimony of Cecil B. de Mille.)

Q. You have been a producer of motion pictures how long?

A. Twenty years.

Q. Where did you begin producing pictures?

A. Hollywood, California.

Q. You are the President now of the Cecil B. de Mille Productions, Inc.?

A. I am.

Q. You have been since its organization?

A. I have.

Q. Were you ever associated with Jesse Lasky?

A. I was.

Q. Did you assist in the organization and development of the Jesse L. Lasky Company?

A. I did.

Q. Will you please relate to the Board how that began and how you participated in it, as briefly as you can?

A. I was a producer of plays in New York and a playright. Jesse Lasky was a producer of vaudeville acts and had a new entertainment called the Folies Bergere, which he had opened on 45th Street.

[252]

In 1913 I had a terrific failure of a play I had produced by Mary Roberts Rhinehart. Jesse Lasky had a terrific failure with the Folies Bergere; and Samuel Goldwyn, who was a glove manufacturer, found the Government had just taken the tariff off gloves.

(Testimony of Cecil B. de Mille.)

Mr. Lasky and I were somewhat disconsolately seated in the Rector's Grill having lunch and we had been friends of very long standing, and he said, "What shall we do?" I said, "What is the most thrilling thing you can think of?" He said, "Let's go into pictures." I said, "Let's." He said, "Do you know anything about them?" I said, "No." He said, "Neither do I. From the pictures I have seen we are just right for the business."

Just then Mr. Goldwyn walked by mumbling something. We had turned over the bill of fare of the old Rector's Grill and were forming the Lasky Company on the back of it, seeing what money we had left from our two theatrical wrecks across at Broadway. We asked Mr. Goldwyn if he wanted to go into the motion picture business. He said he did. He was Mr. Lasky's brother-in-law. So we sat down and formed the Jesse L. Lasky Feature Play Company, with the first capital of $20,000.00, if I recall rightly. We were each to put up $5,000.00, each of the three of us, and to sell publicly or find someone who would take the other $5,000.00.

I was to have charge of production because I was a producer of plays and a playwright.

Mr. Goldwyn was to have charge of distribution because he was used to selling gloves and knew something about salesmanship.

Mr. Lasky was to keep the home fires burning with his vaudeville so we could both live and eat during the interim. [253]

(Testimony of Cecil B. de Mille.)

We all went out to sell the other quarter of the Lasky Company.

I first asked my brother if he would take it and he said he would save his money to pay our fare home.

I then asked Dustin Farnum, whom I had engaged or wanted to engage to play leading part in the first picture, which was to be the Squaw Man. I had engaged him at $250.00 a week. I asked him if he would rather take a quarter interest in the Lasky Company than have $250.00 a week for four weeks and he said he preferred the $250.00 a week for four weeks.

We tried various relatives with little or no success. We finally found Arthur Friend, an attorney, I think a distant relative of either Mr. Lasky or Mr. Goldwyn, but I am not certain on that point, who was able to take a small portion of that, and the rest was apportioned to the three of us. I could not take it because I did not have money enough. In fact, I did not have money enough to pay the $5,000.00 that I had already subscribed to, which caused some difficulty.

I left for the coast. I arrived 20 years ago today, I believe, and I rented a barn on Vine Street and Selma Avenue, in Hollywood, which was then a series of orange groves. I did not rent the whole barn because I could not afford it, but I rented that portion of the barn where the gentleman washed his carriage, from Mr. Stearn, who occupied

(Testimony of Cecil B. de Mille.)

the estate opposite, and the cow stalls and the horse stalls were used for dressing rooms, made into dressing rooms, and the platform, where I imagine hay was piled or something, was made into a stage, and there we started production of our first picture.

We had $20,000.00 capital and the first picture cost $40,000.00 or $37,000.00, I think, to be exact. We were immediately in financial distress, [254] and Mr. Lasky and Mr. Goldwyn went through the country selling the rights of this picture to various state right buyers and getting sufficient money in advance from them to set me to finishing the picture.

The picture was finished in that way and it was a success. I remember a very momentous evening with Mrs. de Mille, Mr. Lasky, Miss Lasky, who was one of the founders of the company, and myself, celebrating joyously when we found the profits of the company it looked might reach $40,000.00 in one year.

We then found that we were in some grave difficulties—may I go back a moment? I forgot a very important point.

When we started to make the picture we found the Patents Company or the General Film Company had complete control of the industry and we could not make pictures without a franchise from them, which they would not furnish us. We went to get this franchise from them, Mr. Goldwyn, Mr. Lasky and myself, and they said, "Why should we

(Testimony of Cecil B. de Mille.)

give you a franchise to make pictures when we can make them ourselves?" I explained that I thought I could make a quality of picture they did not make because their pictures consisted mostly of two-reel pictures in which during the first reel the Indian chases the cowboy and during the second reel the cowboy chases the Indian and kills him at the end of it.

I felt that through that medium really great drama could be brought to vast masses of people. The film seemed to me to speak an international language and I felt that great European markets could be developed much farther than they had to that date.

Anyway, the General Film Company would not give us the franchise, which meant that none of their theatres would take the picture. [255]

We had a few serious discussions as to what was best to do and we decided to go ahead and make the picture anyway and they commissioned me to make it so well that people would have to see it if we had to run it in legitimate theatres or barns or wherever we could show it, and we succeeded reasonably well with that. I think it was the first or second—the second big feature ever made. The first, if I remember rightly, Mr. Zukor made independently with Sarah Bernhardt, and this was the second feature picture.

Those two pictures revolutionized the entire industry. They upset the General Film Corporation. They upset the Patents Company and a new era

(Testimony of Cecil B. de Mille.)

started in motion pictures, which was known as the growth of the feature picture.

We immediately started to manufacture pictures, getting our financing from the exhibitor and the distributor. The distributor was different from a distributor later when the three elements were merged. There has always been a great battle in the motion picture industry between those three units as to who was going to run it, the exhibitor, the distributor or the producer.

We increased our capital to $50,000.00, as I recall, then to $500,000.00. We saved our money, every nickel of it, so as to rid ourselves of the distributor-exhibitor financing and be able to finance our own pictures because banking credit at that time in motion pictures was nil. When I first went to Hollywood as a motion picture man the bank would not take my private account when they heard that I was in the picture business. They did not want my money at any price. Later we carried quite a balance in that bank. The picture people were pariahs at that time. [256] The people almost cried "unclean" when you went down the street.

This company developed very rapidly. I assumed the office of director general, I believe. I was a member of the board of directors. We had to make 20 or 25 pictures a year. Mr. Lasky came from New York to assist because I could not handle the situation alone any longer in the production of the

(Testimony of Cecil B. de Mille.)

film. I think that was the end of the first year or the second year some time.

For several years we proceeded this way and were very successful. We were able to avoid borrowing from banks and our financial structure was good and healthy because it was very simple and very clean. We made the money we needed and used it in pictures and we were able to pay small dividends. We were able to increase salaries considerably. I think I started out at $75.00 per week—not salary; expense money. I got no salary at the start. I think for some time I was furnished $75.00 a week expense money.

After the first two or three pictures we got together and voted ourselves $200.00 per week salary, as I recall it, Mr. Lasky, Mr. Goldwyn and myself.

I should like to add that two women played a very, very important part in the structure. They were Miss Lasky, who was associated with Mr. Lasky in his activities before he went into the pictures and Mrs. de Mille, who was associated with mine. The four of us formed a producing unit in everything we did, and when they did a vaudeville act or Folies Bergere we were to pass on it, and when we did a play they were there to give us what assistance they could. The early part of this sounds like a rather Utopian story but it is not. The moment profits began [257] to develop trouble began to develop. There seemed to be considerable rivalry beteen two of the chief executives as to who was going to control the organization. That trouble alarmed me at first—it

(Testimony of Cecil B. de Mille.)

was quite a short time after our start at Hollywood —because one of the gentlemen selling the pictures said he should be the head of the institution and the other gentlman, who had assumed the position of contact with New York deals, and between New York and production, which was myself, considered that to be the important end of it. These two gentlemen had considerable rivalry and I saw that there was going to be very serious trouble.

On many occasions Mrs. de Mille, Miss Lasky and myself saved the company from disorganization because we were on the outside of the trouble between the two men. Miss Lasky was the wife of one of them, Samuel Goldwyn, and a sister of the other, Jesse Lasky, and it was very much a family affair.

However, the company progressed extremely well, so well that—I have forgotten the exact year—I will have to ask help on dates. Mr. Zukor, who had formed the Famous Players Corporation, formed of great stars, was the only rival we had. He was selling these big entities to the public and we were selling a major type of production to the public. We were not paying particular attention to the sale of individualities but to the sale of great pictures. He was paying particular attention to the sale of personalities rather than the pictures.

The rivalry between those two became very keen and it was necessary for an exhibitor to have both programs, so that the gentleman in charge of it decided to merge the two companies. These two companies merged [258] and stock was given to the

(Testimony of Cecil B. de Mille.)

stockholders of each for their holdings in the two producing companies. Mrs. de Mille received stock for her Lasky stock, I received stock for mine, and Mr. Lasky for his, and Miss Lasky, and Mr. Zukor, etc.

The details of the struggle between this Famous Players Lasky Corporation, which had become the giant of pictures, and the Paramount Company, which had become the giant of distribution, I do not think enters into this case in any way and I will not take further time with it. But the moment this amalgamation was made—I was made Director General in charge of production of all of it. Mr. Goldwyn was in charge of distribtuion. Mr. Lasky was what was called head of production, which was going back and forth between New York and the coast providing and getting material for me to produce on the coast, and Mr. Zukor, the President of the whole organization. There also entered then the Pallas-Morosco Company and the Bosworth Company; and one other company that was controlled by Frank A. Garbutt of Los Angeles was brought in. Those companies were brought in because they had been making pictures of a high enough class to warrant their joining such a splendid company.

The moment this organization was formed an unfortunate executive situation developed immediately. Politics came into it. The subject of control immediately came to several minds in the company. It is not necessary to go into the full detail of that struggle but the result was that Mr. Samuel Gold-

(Testimony of Cecil B. de Mille.)

wyn was either forced out or left the company. He had, however, his stock at the time. It was necessary for the other executive, Paramount, to pay a very, very large sum of money for that stock of Mr. Goldwyn's. I think the sum was $750,000.00, which was a [259] large sum for pictures in those days and is, again, today.

The dropping of Mr. Goldwyn from the company showed me what could happen to every strong man, no matter how necessary and how fine and very vital he was. Mr. Goldwyn was a very, very fine showman; none better in the business. His elimination showed me very grave possibilities. Also, the fact that he was able to get that $750,000.00 for his stock showed me other possibilities. Then I began talking with Mrs. de Mille about the necessity of protecting ourselves because we began to see them going one at a time. The next to go I think was Bosworth, who was one of the lesser companies to come in.

Then later Arthur Friend, and one at a time I saw these individuals wiped from the picture.

Mr. Goldwyn found himself without any organization at all—flat—nothing but $750,000.00, but $750,000.00 can not do the things that the right organization will do. To make a picture you have to have a lot more than money. Goldwyn had no organization, no stars. He had to take his $750,000 and put the best organization he could get together, which was done hurriedly, because it had to be done hurriedly. He could not get star material on account of —you can not go out and pick up an organization.

(Testimony of Cecil B. de Mille.)

There are no great makers of motion pictures lying around idle. They are all contracted for or tied up. You either have to create them yourself or you have to buy them when they are free, and they are seldom free. As a result Mr. Goldwyn's company went into bankruptcy. He lost the $750,000.00 he had. He had got the money for the stock and the fact that with that money he had been able to do nothing but get [260] himself adjudged a bankrupt showed that he was very weak in two spots. The fact that he had been able to get the $750,000.00 for the stock showed Mr. Zukor must have been weak in some spot.

Mrs. de Mille and I talked this over at great length and then brought Mr. McCarthy into it and decided it was vitally important to protect our own interests because we were known at that time, I say with all modesty, as perhaps the most successful producer of money-making pictures. We had only one rival at that time, who was Mr. D. W. Griffith. We have more now. We felt that it was of vital importance that we immediately start the formation of an organization which would have two functions, one was it would protect us from attack and the other was that if we were attacked and defeated we would be in a position to immediately make our own pictures if we had organization and finance. Mrs. de Mille and I talked about it alone. I talked about it with Mrs. Macpherson. I began to feel around to see how the different members of my own staff might feel about joining me in such an organization. Then sometime I think in 1918, perhaps two years before the partnership was formed, Mrs. de Mille and I got

(Testimony of Cecil B. de Mille.)

Mr. McCarthy to come out and we laid the proposition before him that we wanted to form a corporation. The de Mille Company in New York, the largest play brokerage company in New York, had been a corporation. I was general manager of that. I know something of the handling of the corporation. Mrs. de Mille and I felt that it was of vital importance to us to build a company that would take care of us, to have an organization that would some time work for us and that we would not have to work for always. [261]

The history of the business as it was being shown around was—It was very much like California in '49, the early days in motion pictures. Money was made in enormous sums. Individuals rose and fell with astonishing rapidity. Enormous sums of money came into the industry and were made and lost; made through brains and good direction of artists and lost through bad management and bankruptcy.

Mr. McCarthy advised me of partnership for the organization. I rather favored a corporation, but I had a higher opinion of Mr. McCarthy as an attorney than he has of me as a director, so the partnership won.

The situation after that first talk developed very rapidly in this way—to show you the kind of difficulty that was arising between the Famous Players organization and ourselves, they had wanted to follow a certain trend, what they call a cycle, that is, if somebody makes a play of the French Revolu-

(Testimony of Cecil B. de Mille.)

tion, every organization rushes and makes plays of the French Revolution. If somebody makes a success of a play on Marriage and Divorce, everybody rushes and makes a play on Marriage and Divorce, so the public never gets to see a play at the theatre but what it is on marriage and divorce or something like that, or it is a play on the French Revolution, and I think that is very poor in the show business. However, that is only personal opinion. A great many good executives disagree with me on that.

The enormous urge of a big success, a picture that grosses hundreds of thousands of dollars and brings acclaim all over the United States and all over the world, has a psychological effect on the man who is handling the money. He says, "They don't want beans, they want rice." You say, "They will be so sick of beans that they will not want beans all the time; give them a course of rice, and then you can give them beans." That is [262] what you have in the motion picture business. It is hard for the business mind to follow that because the mind of the showman and the mind of the business man, as Mr. McCarthy already testified, are sometimes different.

In this case Mr. Zukor had laid out a great advertising program of the pure and beautiful type of picture, a little sunshine type of picture. He was going to make some beautiful things. He had spent a good deal of money advertising this type of picture and he started making it. I felt that it was time to immediately come in with something that would

(Testimony of Cecil B. de Mille.)

upset the public materially because you can only give them sugar for a certain length of time and then they want something else. I made a picture called Old Wives for New, which was written by David Graham Phillips. They immediately expressed displeasure at the title and the idea of the story. I insisted upon forcing it through.

When the picture was completed I had no one that anyone had ever heard of in the cast except an old character actor named Theodore Roberts. Otherwise the cast was entirely new.

We went out to a little town to preview it because the company was terribly annoyed over the entire situation, and Mr. Lasky said he considered it far better that the picture should not be released at all, but that they should stand the loss. I took the company out on my own and we arranged a preview in a little suburb. A preview is one night you go out to try out a picture to see what its weak spots are, where the audience is bored and where any changes are necessary before it is released, because once it is out it is impossible to change it.

Before the first show was through of this picture the manager had come back and said, "I must keep it for a second show. The people are all [263] coming out and telephoning home to their wives or to their husbands and friends to come right over and see it."

This little picture was retained for I think three nights, and I asked Mr. Lasky to go out to this place to see it but you could not get in the theatre. They were coming in from other towns, etc., to see it.

(Testimony of Cecil B. de Mille.)

In spite of all of that they were terribly upset about the picture. It was an enormous success but Mr. Lasky went to Mr. McCarthy and told him that he wished they could get rid of my contract after that picture. I did not know that until some time afterward, but it was not difficult to feel the situation. I was not popular with my brother executives and I realized my head would probably be next to fall. So we immediately started the formation of a company, the gathering of a staff.

Shall I take this time, your Honor, to explain what a staff is?

The MEMBER: I think I had better know about it.

The WITNESS: Because the staff plays a very important part of your picture. It is the staff that makes the picture. The director is merely the man who sees that the staff—the producer is the man who sees that the staff does its job and the director carries out the work of part of the staff, and when it is done hands it to the rest of the staff to complete when he is through.

For instance, the first thing you do in making a picture is you have to find a picture to make. You have to get the story. The individual who procures the story is in the scenario department—not the writing of it, but the procuring of the material. [264]

All the novels have to be gathered, and all the plays and all available material. We have ceased to consider original material because if you obtain an original manuscript and there is a character named

(Testimony of Cecil B. de Mille.)

Jennie and you have produced a story with a character named Jennie you are sued for plagiarism. I will say for the benefit of the record that that is a slight exaggeration but not far wrong.

The material, therefore, must be published or from a standard author of reputation or a produced play. With us Mrs. Adams filled that particular position. It is of vital importance because the material that you produce has to be a little ahead of the public sentiment. You have to be six or eight months or a year ahead of it in making a big picture because it takes you practically a year to make it and, therefore, it takes someone with an appeal for the public and a keen understanding of drama to know what material to use because it is impossible for the producer to read himself all the material there is and the reader comes to him with two or three subjects which he has garnered from all this material and lays it before him. He finds a writer who he thinks is capable of handling that particular type of subject because different writers are good at different types of subjects. That writer has to transpose the story into picture form. That does not mean you take chapter 6 of the book and break it up into scenes. It means the entire construction may have to be altered. It is the work of a dramatist, and a very important one, because your medium is different. It would be like taking a poem and putting it to music. You can not do it by punctuating the poem. You have a totally different medium to work from. Good writers are scarce. [265]

(Testimony of Cecil B. de Mille.)

After it is written there is next the matter of making it. It then goes to the director, the production manager, who breaks it down for budget, what it will cost, what the expense of it will be, the important figuring that can not be overestimated because it is very easy to go wrong one million dollars in the making of a budget. So that man has to be a man of long experience in pictures and keen knowledge of the type of picture that you are doing and the conditions under which you have to operate. He has to know the difference between cost of a set at a location. If you are shooting a set on location or on a desert those are two vitally different things; whether you are 100 miles from the studio or 20 miles; whether you are going to use 16 $5.00 people and 20 $7.50 people and 50 $25.00 people in a mob. All of that he has to know and it has to be very carefully broken down and set up to make an accurate budget. That man is of vital importance. Then the art director, who has to draw the sets and design them. That, of course, is a vital thing because you do not merely draw a room. If we were going to do this court room it would cost so much to do all four of these walls. A good art director would not build all four of these walls. He would build from that window to this (indicating). He would take in your desk and he would place his camera back there (indicating) and not build any of this (indicating), so that he shot over the heads of the audience and showed you, and the audience's imagination will fill in the rest of the room. When he has to turn around

(Testimony of Cecil B. de Mille.)

to shoot Miss Rosson or Mr. McCarthy, who will answer your questions in the scene, he would only have to build that corner (indicating), so he would take this same corner and swing it around over there (indicating) and remove [266] this desk (indicating), and then we have this entire court room and you would have seen some part of all four walls of it.

It is simple in the case of a court room but if you apply that to Cleopatra's Palace or Nero's burning of Rome, or the Circus Victorius of the Orient, it is a very vital thing and a thing that can save you thousands upon thousands of dollars or cost you thousands of dollars. Those men have to be trained and educated. You can not find them. They are very, very rare.

Then comes your costuming department. You can not go into a dressmaking establishment and say, "Make me Nero and Tigellinus and Cleopatra," because they don't know what you are talking about. You have to have first an artist make sketches of Nero and Cleopatra and Caesar and Marc Antony. Then you have to have somebody who can carry out those sketches and have a wardrobe organization that has made something besides French hats, because French hats and tiaras are different.

All of that is doubly important in the making of a big picture.

Then comes the expert who builds the set after it is made, the construction engineer. You take a set like the Temple in the King of Kings, a set as

(Testimony of Cecil B. de Mille.)

large as this building of the Hall of Justice out here, say 2,000 people are working below it and a strong windstorm comes up and that set blows down; there are 2,000 people below it working in the square and it would be very unfortunate.

Takes the Gates of Pharaoh in the Ten Commandments, which had to be erected in the desert, where you could not even get an automobile anchored against desert winds blowing in with a very high velocity, a [267] set over 90 feet high, presenting an enormous flat surface against the wind, it all had to be anchored by very heavy deadmen in the sands, every pound of material of thousands of pounds, and every foot of lumber of millions of feet that were pulled in there for that setting because it was a gigantic thing—all of that has to be handled by this man who has to construct it, and it has to be right. Suppose the set fell down and did not hurt anybody. You have an expense out there as we had in making the Biblical portion of the Ten Commandments, where it cost us $50,000.00 a day. You can see what a miscarriage of half a day can mean. It is a very, very important point.

Then there is the research department. For instance, you can not go anywhere and get the detail on Cleopatra. You can not press a button and say, "Tell me the full data on Cleopatra. Give me everything that Nero wore. Tell me what kind of a bed Poppea, the wife of Nero, slept in. The research department has to provide all of that for you.

(Testimony of Cecil B. de Mille.)

Then comes what we term the prop making department that has to make that. You can not send down to Montgomery Ward & Company for a 500 room theatre. You can not send to Sears Roebuck for 50 gross of Egyptian bows nor to the Oliver Plow Company for 400 Egyptian chariots. Those things have to come out of only an organization prepared to do it, and you haven't forever to do it. You have a given time. All of those things have to function exactly together just the way you would plan a campaign for a battle which has to be fought.

Then the assistant director, who is the man who has the job of seeing that all the departments coordinate. [268]

The casting department is another feature that I would like to cover because the head of the casting department is very vital in the making of a picture because he has to know everybody in the industry. He can not be anybody. He has got to be a man who knows everybody in the industry and knows that one actor is right for one part and another actor is right for another part, and not to get them mixed. If you get them mixed the result is unfortunate. That man has to have a knowledge of dramatic technique. A good casting director is very, very hard to find. He has to cover all the people all the time. He has to be able to say, "I saw a little girl three nights ago in an R. K. O. picture who is admirably suited for that and I think she has promise and ability and we should make a trial of her."

(Testimony of Cecil B. de Mille.)

He has to keep the producer informed at all times of all new talent as it comes in and the availability of old talent and the advisability of which talent to use because when you are using as we do in those pictures—in the last three pictures that I have directed this year produced by the de Mille Productions, we used 13,700 and some people—we employed 13,700 and some people, not all actors.

The head of transportation is an important factor because the movement of all this stuff, of course, is vital. If you have got 2,000 people out on the desert with all the paraphernalia and so forth and the food did not come out, or the film has to be rushed back from a location, developed and printed and carried back to the location for inspection the following day—it is necessary to have a police escort on some of that to cover the time necessary to elapse—it is the work of an army. [269]

I am not desirous of giving a lecture on motion pictures. I am merely trying to show that it is organization that makes the picture and no individual.

A figure of importance is the hair dresser. That sounds like a beauty parlor but it is not. The hair dresser has to know the hair dressing of Cleopatra and Poppea. I will sit down with her and say, "Give me ladies in Paries." So we take Gloria Swanson and see what we can do with her hair. If we find her nose turns up we have to do something to balance that with her hair. For instance, the hair dresser works out a band that comes around her hair and that starts everybody to wearing bands in the hair.

(Testimony of Cecil B. de Mille.)

Those things are all great styles argument to an exhibitor seeing a picture. He knows that women will be interested in it. The hair dresser is very important and they are very, very hard to get. They are just like any modern designer such as Chanel or Poriet.

Mr. LEMING: May I interpose long enough, your Honor, to say that this is all irrelevant and immaterial and that we object to it from that standpoint, but I do not want to deprive your Honor of any information you may get in this fashion. For that reason I have sat quietly, but I want the record to show that my failure to object previously should not be construed as assent or acquiescence to the materiality of any of this testimony.

The MEMBER: I appreciate your consideration for my interest in the matter. I confess I am very much interested. It is just like a trip to Hollywood. Why is it not material? This witness is telling me about the organization necessary to the production of pictures, and his counsel tells [270] me, and the testimony is that the purpose in organizing this corporation and the purpose in withholding its earnings was to build up a staff so it would be in a position to make its own productions and finance its own productions. In that case I think it is necessary that we know what a staff is, perhaps not in such great detail but certainly I think it is material.

Mr. LEMING: It seems to me if anything is material at all it is what was done here and not a picture of what might have been done or could have

(Testimony of Cecil B. de Mille.)

been done. There is no evidence here that any surplus of $100,000.00 or any other sum, as I recall, was necessary for any such purpose as he has been discussing. I take it these contracts in evidence show how these pictures were made and under what conditions they were made, so far as this corporation is concerned.

The MEMBER: The evidence has also shown a staff was built up, whether it is a complete staff or not, I don't know, or I haven't heard yet the description of a complete staff, but certainly some staff was built up. It has been compared to a rival organization and the personnel of the staff of this petitioner compared as to relative position with the personnel of that staff of the rival company.

Mr. LEMING: Whatever staff they had, if your Honor please, ought to be reflected in the expenditures which are in evidence. It seems to me that that answers this sort of a question. What did this corporation do? What did it expend? What was it necessary for it to keep on hand to expend? [271]

The MEMBER: I understand one of the issues is the propriety of the salaries paid certain members of this organization.

Mr. LEMING: I beg your pardon. There is no such issue before the Board.

The MEMBER: Isn't that one of the matters you stipulated?

Mr. MACKAY: Yes.

The MEMBER: It was stated to me by counsel for the petitioner as one of the issues in the case.

(Testimony of Cecil B. de Mille.)

Mr. LEMING: Not an issue for decision by the Board.

The MEMBER: It still is until your agreement is in. There is nothing before me now.

Mr. LEMING: The parties agreed on certain deductions and eliminations and I believe in some cases additions to income. I don't want you to understand that this testimony is directed to any such point as that.

The MEMBER: No, but our discussion was. However, there is no need to enlarge the record with that. It is my view of the matter that some information respecting the staff necessary to a company capable of producing and financing its own pictures, in view of what the evidence has been, and in view of the theory of the petitioner's case, is admissible here, and, therefore, I shall overrule your objection and permit the witness to continue.

Mr. LEMING: May I note an exception?

The MEMBER: Exception will be noted.

The WITNESS: The chief electrician is more important than that sounds. He is not just a man who throws switches, and so forth. The [272] chief electrician has to point with lights. That is, we take a large set where there are perhaps 175 lights. By lights I mean these enormous electric machines for throwing these very brilliant white lights. They are arranged around on very heavy parallels above the set. They are in the doors. There are all types of combinations for light. You can put a light in the back or there would be one under that desk (indi-

(Testimony of Cecil B. de Mille.)

cating) to light your face, one under this desk, one back of the water pitcher, one to catch this man's face. These lights would have to be covered so as to give the right effect. There would be a light here and light there (indicating).

There are equipment and paraphernalia that has been developed out of 15 years of use until we can swing lights in very astonishing ways and almost like Aladdin did his lamp.

The man who is in charge of that is the head electrician and when the camera man has picked his setup, which is the position where the camera is to go, because the camera changes perhaps from 16 to 20 times, the director will say, "I want to shoot this way," getting in that window and that half of that (indicating). The camera man sets his camera there. That becomes the lineup. While he is moving his paraphernalia he has to show the electrician where—the point where each one of these 150 or 20 or 75 or 180 lights are to go, and if that is not done right, a half a day or whatever it may be, would be lost.

That head electrician has to know how to paint with light. He has to know his art.

Then the camera man takes his camera and improves that by various—we have what we call inkes, which are little tiny hot lights that throw [273] a brilliant light in the face from anywhere they are, almost like a machine gun.

There are lights that have various types of devices hung over them so that one light comes out of the bottom and not out of the top, and on others where

(Testimony of Cecil B. de Mille.)

it comes out of the top and not out of the bottom, and so forth.

Here you have constructed a painting of a set or of a palace or of a street or whatever it may be.

That is a very, very important position and can cost a great deal of money if it is weakly filled. Those men are very, very scarce and they are very hard to find because you have to have an electrician with an artist. That combination does not always go together, except perhaps with Thomas Edison. He is probably the best example of that. The camera man is, naturally, perhaps the fourth most vital function in the making of a picture. That man must be an artist and a mechanic because if his exposition is wrong there is no way of telling it until the day is over. If his exposition is wrong an entire day's work can be lost. If he has not corrected the electrician well and the light is too hot in the face of the star and you get a white blur instead of a beautiful face or if he has lighted her so he has not taken care of her eyes properly and you get either two black holes or lines under her eyes or wrinkles over her brow, and so forth, that day's work is lost, and that day's work may have cost probably a minimum of $20,000.00 in a big picture. Consequently, that man is a very important factor and they are very few who are great camera men.

Then when the picture is completed, that is, when we have finished photographing it—there is another vital factor, which is what we call [274] the special effect man. In other words, we will say that I have

(Testimony of Cecil B. de Mille.)

to have an earthquake; I am going to burn Rome; I am going to open the Red Sea. You can not just send for the head carpenter and say, "I am going to open the Red Sea," or "I am going to burn Rome." You have one department that does nothing but that. That man is vital.

Because we have talked so much about the Ten Commandments I will take that as an example. The opening and closing of the Red Sea in that cost $105,000.00, to get that effect. It is on the screen probably not longer than maybe 40 to 65 or 70 seconds. The accomplishment of that has to be the work of an engineer, the work of an engineer skilled in many branches of engineering because that is a composite of 22 exposures. I will give you an example of what I mean by that. Shall I?

The MEMBER: Go ahead.

The WITNESS: For instance, in the creation of that giant wave, and that is a terrific wave, a really big wave that rolls over the Red Sea and engulfed people, to make that wave we built two 10,000 gallon tanks at a height of 40 feet in the air. Then we had a steel curved sheet built and placed under those tanks. Those tanks had trip bottoms that opened instantaneously so that we could drop 20,000 gallons of water at the same instant into this steel sheet which was curved.

We set our cameras up under that and slightly to one side below the height but slightly to one side so as the water dropped into this steel sheet it immediately took momentum and went up this rolling

(Testimony of Cecil B. de Mille.)

surface, which threw is like a ball into a gigantic curve and landed it practically over the camera. That was only one exposure. When we needed to separate it part of the separation was the reversing of that film. In other words, [275] we rephotographed it backward. We put the film in the camera backward and dropped another 20,000 gallons, but as it was photographed backward you saw the end first and you saw this mass of swirling water and saw it gather gradually and draw away and pull up into the air.

That was the system by which just that one effect of that wave was brought about. There were 22 exposures on that film which was the dividing of the Red Sea. To get a man who can work that out is very, very vital. And there is something of that sort in every picture. There is some special effect that you have to do in every picture.

If you are going to sink the Lusitania, as I had to do once in the picture, that is a large order. I also had to have a large dirigible struck by lightning with people in it and had to show the inside of the passenger compartment and the people thrown around, and then show them jumping over the side in parachutes, and then follow the parachutes down from the Zeppelin to the ground.

That is what your special effect man is for. He works out methods of doing that and discusses them with the rest of the organization.

When the picture is finished, the shooting of it, it goes to the cutter.

(Testimony of Cecil B. de Mille.)

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(Testimony of Cecil B. de Mille.)

surface, which threw is like a ball into a gigantic curve and landed it practically over the camera. That was only one exposure. When we needed to separate it part of the separation was the reversing of that film. In other words, [275] we rephotographed it backward. We put the film in the camera backward and dropped another 20,000 gallons, but as it was photographed backward you saw the end first and you saw this mass of swirling water and saw it gather gradually and draw away and pull up into the air.

That was the system by which just that one effect of that wave was brought about. There were 22 exposures on that film which was the dividing of the Red Sea. To get a man who can work that out is very, very vital. And there is something of that sort in every picture. There is some special effect that you have to do in every picture.

If you are going to sink the Lusitania, as I had to do once in the picture, that is a large order. I also had to have a large dirigible struck by lightning with people in it and had to show the inside of the passenger compartment and the people thrown around, and then show them jumping over the side in parachutes, and then follow the parachutes down from the Zeppelin to the ground.

That is what your special effect man is for. He works out methods of doing that and discusses them with the rest of the organization.

When the picture is finished, the shooting of it, it goes to the cutter.

(Testimony of Cecil B. de Mille.)

By Mr. MacKAY:

Q. Didn't you miss one, the sound engineer?

A. Yes, I was really covering silent pictures first.

Q. All right. Go ahead.

A. I can put it in right here just as well because he is vital. That gentleman did not appear in this contract, because there was no [276] sound when we first broke with the Famous Players. Sound came in when the company started with Pathe. The sound engineer is not just a man who sits at a switch board and sees that the current is running through the microphone. A microphone is a very delicate instrument. That man is almost in the position of the leader of an orchestra, as far as sound goes, because if an actor says, "I won't do it," if that is his line and he emphasizes the word "won't" as loud as that, it will overload the microphone and you will hear a horrible raucous blur which you, I am afraid, have heard too often if you are cinema follower. The sound engineer has to know each line and how the actor reads it and control the volume at which he allows that voice to pass through the channels photographing, spotting where the sound is photographed. The sound is not photographed in the camera at all. The sound is photographed in a completely different building, even from where the scene is being taken. It is interlocked. The sound camera in the building is interlocked with the camera we are photographing with. It operates completely separately so that you might have a very good scene and if your sound

(Testimony of Cecil B. de Mille.)

engineer is not good the sound in that scene would not be usable. So that is a very important position.

When the picture is completed these thousands of feet that you have taken go to the cutter. The cutter puts it together. A picture, as you perhaps know, is not shot the way you see it.

I should say that cutting is perhaps 20 per cent of the making of a motion picture. A bad cutter can ruin a good picture and a good cutter can save a mediocre picture. There is no help for a bad picture. [277]

The cutter sets the tempo of a picture. In other words, the compiling of the score is done by the cutter. You shoot in short scenes. The director works in short scenes. Then there is the weaving together of the short scenes, and the interlacing of them, because sometimes you put one scene in the middle of another. You come to a closeup line that you have taken after you have shot a long shot. By "long shot" I mean photographing from a farther distance. The cutter controls all of that.

After the picture is cut then the director sees it and works with the cutter. Sometimes the cutter is in trouble cutting and sends for the director.

The last important member of the staff that comes to my mind is the script girl. She is not merely a stenographer. A script girl has to keep a stenographic record of every scene and of every movement made by a character. That is, if I am photographing what we term a long shot and a man takes a cigarette and puts it in his mouth with his right

(Testimony of Cecil B. de Mille.)

hand and takes it out with his left and goes on talking the script girl has to make note of that, not because we are interested in what hand he smokes with, but because when we come to the closeup, which may be shot within the next day, if that man in that scene which must cut in—the director must know that at this point when he said, "I am going to" he raised his right hand, putting the cigarette in his mouth, and when he said, "Divorce you, my dear," he took it out with his left hand. So, if we did not have that record we might see a man starting to put a cigarette in his mouth with his right hand and then suddenly see him take it away with his left hand without ever having seen it go in his mouth. As for instance, when he takes his hat off; when the woman powdered her nose; whether in [278] starting up the stairs she started with her left foot or her right, and on what line and what word she made this particular movement.

The transcription of that sheet for each scene goes to the cutter so that when the cutter puts the picture in its final form and is getting that scene she or he has a record of exactly what movement the man is making when he says "I am going to", so that he can make the sound track, which is on a separate piece of film when it is first photographed, match with the photographic part of it. She does not have to go all through the sound track and search for that but she knows when he raises his right hand he says, "I am going to" and she fits that on the film and can follow the dialogue without having to hear it.

(Testimony of Cecil B. de Mille.)

The position of the script girl is vitally important. [279]

By Mr. MACKAY:

Q. Mr. de Mille, you will recall last night that you were telling the Court just what your production staff consisted of. Did you completely finish that, or did you have one or two other members of that staff that you had overlooked?

A. There were two other members of the staff, or, rather, departments of the staff, that I did not touch, and I did not touch the executive side of the staff at all.

Q. Will you please finish with your producing staff and then follow with the executive staff?

A. Yes. I shall attempt to be brief.

What is known as the still man, is a man who takes the still scenes, still pictures of the scenes, as they are made. Those are used for advertising, for lithographing and for newspaper and magazine cuts. On the quality of those stills depends the quality of the magazines you are able to make. The ordinary photographer will do, because an ordinary photographer would perhaps fail to make the fine quality of still which would enable you to get your advertising into the finer magazines.

Then, last but not least, the publicity. The head of the publicity is, of course, a very important factor today. A very important factor is getting your product over to the public and telling them about it. Your public, in the case of one of these larger pictures, perhaps ranges as high as between

(Testimony of Cecil B. de Mille.)

four and five hundred million people. I should say that the attendance in the "Ten Commandments" and "King of Kings" ranged between four and five hundred million people. [280]

The publicizing to those people, of course, is of vital importance. You have to get over the fact to the public that it is not merely a moving picture but is a great motion picture.

The art of advertising, I do not need to explain to anyone today, because it is one of the fundamentals of business, and the fact that very good advertising men are scarce is shown by the remuneration that they receive.

Then, the executive forces consist of a secretary, such as Miss Rosson, who knows the business so well; Mrs. de Mille, who knows theatricals so well; Mrs. Adams, whose position I have covered, and my own as President and Director.

Q. Well, now, Mr. de Mille, you have spoken about just the—you have named who were on the executive staff of your organization; will you please go ahead now and give a little history of their background and of the part they played in the production of pictures?

A. Pictures are really made over a desk rather than on a stage. The producer may be likened to a general; he has an operating staff in the field like the general, the privates, who are, of course, a necessary force in the picture. The producer secures, coordinates and operates all of these different departments that I have named. The producer himself, of

(Testimony of Cecil B. de Mille.)

course, could not fill all of those positions; he could not accomplish all of the work done by those departments; but he must secure those departments and see that they operate and function properly.

To give you an example, the preparation of the Sign of the Cross took one year. The shooting of the picture took 40 days. It is like a great battle. You prepare for a battle for months, and the battle [281] itself may only last two days, but unless you have all of your ammunition stationed at the right place at the right time and the right persons in the right place at the right time, your battle will be lost and the fate of your war may be decided on the result of that battle. It is the preparation and the brains behind the line that are of paramount importance.

I think I have covered, Mr. Mackay, the functions of the executives.

Q. I think you have not yet told just what Mrs. de Mille did in that organization.

A. That is correct.

Q. Will you please tell the Court what she did?

A. Yes, Mrs. de Mille's career started as an actress back in the year 1900 or 1899. In fact, I first saw her here in Washington on the stage playing "Hearts are Trumps", produced by Charles Frohman, at the National Theatre. I do not know whether the National Theatre still exists now or not, but it was in the National Theatre here in Washington. I became acquainted with her there. I was in this company also and was writing at the time and she used to help me with my writing at that time. We dis-

(Testimony of Cecil B. de Mille.)

cussed scenes, and so forth, that we were doing. Then we started the production of plays and she was a leading woman in stock companies, by herself sometimes, and sometimes she supported me and sometimes I supported her, according to which one of us had the job.

Through that struggle we kept pretty independent dramatic thought, as is necessary in writing and criticizing writing, in order to pass ideas from one mind to another. In other words, plays are not written, but they are re-written, and you have to have some intelligent and constructive critic to write again. So you do in the making of motion [282] pictures. There is no greater fallacy than the "Yes Man". A yes man would be completely destructive to an executive in motion pictures. Mrs. de Mille, fortunately, was not a "yes man".

It touches this case, I think, that some years later I went on to New York to negotiate an adjustment at the request of Paramount on the payment of the royalties due in the "Ten Commandments". They felt they had paid sufficient, and Mr. Saunders, who was the Auditor of the Company, had touched the softest spot in my nature and had convinced me we had had enough money out of it, and I agreed to cut our percentage from the 25 per cent which we had been receiving up to that time, to 12½ per cent, subject, of course, to the approval of the Board of Directors of the de Mille Productions, and when I returned, which I did without any particular fear that the Board would endorse the deal that I had

(Testimony of Cecil B. de Mille.)

made, Mrs. de Mille and Miss Rosson reversed my decision completely and refused to ratify the deal. Mrs. Adams joined them, and I think it was Mr. Fisher and myself, or Mr. King and myself—I have forgotten who the other directors were, but we were out-voted. That was a matter involving a great deal of money.

Then, in the production of plays in New York, Mrs. de Mille was always present at the rehearsals.

In the "Return of Peter Grim", which I wrote for David Belasco, Mrs. de Mille was of the greatest assistance to me at all times. She was, I believe, a member of the Board of Directors of the de Mille Company functioning in New York, which was a playwriting agency, of which my mother was President, developing such writers as Mary Roberts Rinehart, Avery Hopwood and Charles Klein, and handling the product of my brother and myself. [283]

On the formation of the Lasky Company, I have already testified that Mrs. de Mille was prominently identified with that. Mrs. Blanche Lasky was Vice President of the first Lasky Feature Play Company.

Then, coming west, one of the most important features, perhaps, Mrs. de Mille contributed to the early days of motion pictures was that on one occasion she asked me what insurance I had on a negative. I found I could get none. Then, realizing how inflammable film is, we knew that one cigarette ash could destroy the entire structure, and at that time would have destroyed the corporation, as we only had

(Testimony of Cecil B. de Mille.)

$20,000—she asked me why I did not shoot the scenes twice. That, I do not think, had ever occurred to anybody, that you might make two negatives, and after getting from the auditing department the additional cost it might be, and finding it was not excessive, and that as no insurance could be procured on film, I photographed all scenes twice; we shot every scene twice. At night I carried all of the film home on horseback and Mrs. de Mille stored it in the attic.

That little act saved what was one of the greatest producers in the world, because the first negative of the Squaw Man was destroyed, mysteriously, in the developing rooms. There was acid put in the developer, and in the dark printing room it looked as if the negative had been run under someone's heel, and this first negative of the Squaw Man was completely destroyed, and, to all intents and purposes, we were out of business. But, fortunately, we had that second negative, and Mrs. de Mille packed two large grips for me full of something that nobody knew what it was, and I was whisked down to a Santa Fe train, in which I had taken two adjoining compartments, and with this strange paraphernalia we started east, and I cut the second [284] negative of the Squaw Man, which nobody knew was in existence, somewhere between New York and Philadelphia, where we got off the train, and I was met by Mr. Lasky and Mr. Goldwyn there, so as not to take the negative into New York City, because we did not know where this mysterious hand was

(Testimony of Cecil B. de Mille.)

striking from, and we carried the cut negative to the Lubin factory in Philadelphia. Mr. Lubin was a great honest old German and he took pity on these three struggling young men who were in very serious trouble, and he printed that negative for us from this second negative, and we were in a position, having taken money from the State's rights buyers and the exhibitors, and if they had found our negative had been destroyed we would have been in a very unfortunate place, and I think the gratitude of all three of the incorporators of the First Lasky Company is very greatly felt toward Mrs. de Mille on her advice on the two negatives.

Then, Mrs. de Mille played in one or two of the earlier pictures when our financing was pretty short, and we had to conserve all of the talent we could get. I think she got $3 a day, or some such munificent star salary. But she did good work.

Then, in taking part in all of the earlier conferences of the Lasky Corporation held out on the Coast, when trouble began to develop between the executives, Mrs. de Mille did a great deal to stabilize the peace of the internal machinery of that organization. So she knew the executive side of the motion picture industry very well. She had sat through the formation of what was undoubtedly the largest picture company in the world and watched it grow and took part in it. So, I do not know where I could have turned to find a better executive, more fully informed, to carry on the duties of Vice President in the formation of this picture company. [285]

(Testimony of Cecil B. de Mille.)

Q. Just what were her duties during the period of the existence of the corporation, or, let us say, from 1923 to 1929?

A. As to film, she passed on stories, with Mrs. Adams and myself. She passed on casting, with Mr. Goodstadt and myself; he was the casting director. She discussed various legal situations as they came up from time to time, with Mr. McCarthy, either alone or with myself. Then, as to the real estate end of the picture, which assumed very large proportions, she handled that practically alone.

She is a woman of considerable executive ability. I think I have already stated she was on the National Board of the Y. W. C. A., on the Board of the Red Cross, and on the Board of Directors of the Children's Hospital. She was also President of the Castalar Creche. During the war she had charge of the Department of Surgical Dressings of the Red Cross at Los Angeles, which is a very large department, shipping a great deal of material. She was also engaged in other activities which I do not recall at this time.

Q. Was she one of the earlier stockholders of the Jesse Lasky Company?

A. Yes. She was one of the very largest stockholders.

Q. Now, Mr. de Mille, did Mrs. de Mille participate at all in the negotiation of contracts as an executive?

A. Very materially. Every one of the big contracts that was negotiated, she sat in on the negotia-

(Testimony of Cecil B. de Mille.)

tions in New York with whomever we were negotiating with. She has a good cool New England mind, like Calvin Coolidge, which is very valuable when my own is not so reliable always as to its calm outlook upon attack. [286]

Q. I think you said Mrs. Adams was the head of your Reading Department?

A. The Reading and the Obtaining of New Material. For instance, the acquiring of the idea of the "Ten Commandments"—that resulted from Mrs. Adams conducting international contests for a new idea for a production, offering a prize of $1,000 for the best idea contained in a one-page letter of so many words. There were, of course, thousands upon thousands of letters that came in in response to that. An enormous number of replies came in from all over the world, China, Peru, England, the United States, and everywhere. This contest was conducted either through the Times or the Examiner and was taken up by the Associated Press.

Mrs. Adams sorted all of these ideas, taking those which she believed possible and submitting them to Mrs. de Mille and myself. We combed those over and reduced them down to a very small number, and one of those was the "Ten Commandments". Then we found that there were, I think, seven other people who had suggested the same idea, and we thought it was so good that we gave each one of the seven a thousand dollars.

Then, in order to make an important point, as we leave Mrs. Adams for the moment, you take an idea

(Testimony of Cecil B. de Mille.)

such as the "Ten Commandments", a letter containing such an idea as that may be laid on an executive's desk, and I say, "I should like to photograph a picture of the Ten Commandments, which will cost $1,000,000", and when you say that, your reception is not a happy one. The executive says, "How can you photograph it; what are you going to photograph; what are the Ten Commandments?" Then you have to sell that idea, trying to show what you expect to do; that you are not photographing a block of stone, but you are photographing the laws and [287] then you are going to translate that into modern terms and show how you should not break the law; that you do not break the law but that the law breaks you; that it is a great principle you are bringing into play; that it is not an avenging hand; that it is something you do yourself.

If you are a good salesman, the executive sees the idea and says, "We will spend the million", or, perhaps, he says no. But that is where unit production comes into play. As I have stated from the beginning of motion pictures, mass production will completely destroy the industry in time. I made that statement in 1931 or in 1930 and was challenged by all producers, but they are finding that the unit system is the only method of operation, and now independent producers, called associate producers, are being brought in to all of the great studios and operating separately, operating either as other corporations, such as the de Mille Corporation, or any of 10 or 20 corporations, and they have associate

(Testimony of Cecil B. de Mille.)

producers who come in under a salary or a percentage, or salary alone, and operate.

That is the modern method of making pictures and has proven a better plan than the old mass production, because no one alone can make 52 pictures, such as the executive of a big studio has to make. The producing individual of a big studio has to make 52 pictures, and no one can intelligently read 52 scenarios in a year; it is impossible; you cannot read and absorb one scenario a week, and we have the greatest difficulty in doing four pictures a year; for one unit to make those is a lot. That is why it is necessary to combine units so they can use up the labor forces that would be resting between pictures, which was our great difficulty in the operation of a studio by ourselves. [288]

Q. Now, Mr. de Mille——

A. Have I covered the point of Mrs. de Mille?

Q. I think so.

A. And Mrs. Adams?

Q. I think Mr. McCarthy said she was the stepmother of Mrs. de Mille. I will ask you to just briefly state what her background is with respect to ability?

A. Mrs. Adams was the second wife of Judge Adams, of Newark, New Jersey, who was Judge of the Essex County Circuit Court, Court of Appeals, and Court of Pardons of New Jersey. She was a very intelligent woman, splendidly educated, and a teacher. Her mind is a very valuable one, because she has as wide a knowledge of the drama and lit-

erature of the past as any individual I have ever met. So, she can immediately tell from what source an idea has come. When she receives a letter, or reads a scenario, she will instantly check it and say "That is Jean Val Jean"; or, she will say "This is novel to me"; or she will say it is from Homer's Iliad; or she may say "This is merely a modernization of the Odyssey", or, whatever the source may be from which it is derived, she instantly has that at hand.

Q. Do you have any more to say about that?

A. I can go on elaborating indefinitely, but I think I have covered the point sufficiently.

Q. As President of the Cecil B. de Mille Productions, Inc., did you employ Mrs. Adams because she was the stepmother of Mrs. de Mille, or did you employ her because she is highly talented?

A. Because she is extremely talented, and, as I moved the corporation [289] from one place to another, she was instantly taken by those other companies and operated with them, through Metro-Goldwyn-Mayer, Cinema, and Pathe. She procured all material for the Cinema and Pathe pictures for years; I should think probably three years, or whatever the period of time was during which probably sixty or seventy productions on which many millions were spent were made.

That answers your question, I think, even better than a "yes" or "no" answer would.

Q. Miss Rosson is the secretary of Cecil B. de Mille Productions, is she not?

A. Yes.

(Testimony of Cecil B. de Mille.)

Q. Did any person other than Mrs. de Mille visit theatres for the purpose of obtaining material for picture production?

A. Mrs. Adams, or Mrs. de Mille?

Q. Mrs. de Mille.

A. Yes, Mrs. Adams. She has kept in touch with all plays and novels of the year. I mentioned that in my former testimony.

Q. Did you have anybody searching also for star material?

A. Yes.

Q. Who did that?

A. That was done by practically everybody in the organization; they had instructions to keep their eyes open at all times. In pictures, the whole staff is compelled, whenever possible, to attend the nightly runnings at the office of—at the projection room, where we project all of the pictures from. That is done in the Cinema also and Famous Players does the same thing, and some of the staff will attend the Famous Players [290] runnings while the rest of the staff attend the de Mille Productions runnings, so we can be in touch with every single screen entity and know where there is good material and all of the places have to be covered and the people are found from every one of these places. One of the best known leading women of recent years, a woman named Alice Perry, I found walking past the cutting room, the film slicing room; I saw her sitting there. She became one of the best known stars in the world. She later married Rex Ingram, a director.

(Testimony of Cecil B. de Mille.)

We find talent in many places.

The executive staff of the de Mille Productions had its offices in two places. The de Mille offices wherever they might be, and in the offices of whatever studio we were producing pictures in, according to whether the staff was on the executive side or the labor side. The Productions Company had offices and maintained regular offices at Laughlin Park. That property was bought by the Corporation from me, and I think there were 9.4 acres originally. There was a small patch of about three-quarters of an acre which Mrs. de Mille bought. It was her development. It was rather wild land. The coyotes used to wake us up howling around the place and getting into the place where the children kept their rabbits and things of that sort. So, Mrs. de Mille bought the 9 acres, securing it from different persons, in order to develop the property as a real estate venture, and, I may say, made money from it.

We have a residence right next to the building used as the office of the Cecil B. de Mille Productions, Inc., and they are connected by a passageway. In the office is where we have our projection room as Mr. McCarthy described. The film booth is a concrete booth built outside [291] of the building, and the screen is inside. The main room of that building is used as a projecting room. Our company maintains its records there. It has also a very large library. When we severed our connection with Famous Players, we took with us the mass of research data that we had compiled, moving that to Cinema

(Testimony of Cecil B. de Mille.)

and Pathe, and we continued to compile research references, and when we severed our connections with Cinema and Pathe, we took with us our research library, to Metro-Goldwyn-Mayer. When we severed our connection there, we took our research library to Laughlin Park. It consists of nearly 10,000 volumes. There are very rare books on lighting, architecture, costuming, historical data on the theatre records of every play produced for the last two or three hundred years; all of the old English drama; translations of the old French drama; copies of parchment; copies of contents of the British Museum, the Louvre, a museum in Rome I have forgotten the name of, the Museum in Berlin, photographic copies of architecture throughout the world, stereoscope photographs of the life of the people in every country of the world, the interior of their houses, the exterior, streets, architecture, style, so that at any time when necessary in the operation of the making of a picture—if you are going to lay it in Greece, you have to know Greece. You cannot do it with just a surface knowledge; you have to know fully what the Greeks did and how they did, from the bath room to the palace; what they wear; even the underwear; what kind of harness they use in the chariot; whether it is pulled by a neck yoke or a trace; whether they carried two spears, or one, or whether they wore armor or carried a shield.

[292]

We have a very large collection of arms, spears and junk of that sort. We have fire-arms from their earliest creation; the old Chinese gun, from that,

(Testimony of Cecil B. de Mille.)

down to the modern rifle which was used by Germany, America and England in the last war. We have a collection of various types of whip used from the earliest known period of the exodus from Egypt down to the modern one used by our predecessors in Government in the Philippines.

We used spears in the "Ten Commandments", for instance. We do not keep all of those spears in our office. We do not always keep them in our office. Most of them are at the Los Angeles Museum, where they borrow them when we are not using them. We have not room in our office to keep all of those things, and the museum is constantly calling on us to show our stuff there and we are happy to do it. We make the spears from the original we have for use in the pictures.

We had original sketches or paintings of very great value in the production of motion pictures. Take the Groespeck sketch. We took him as the artist in doing the Volga Boatman, which was the first picture made at all favorable to the Russian idea. A man named Groespeck had been imprisoned in Russia for some time. We sent for him. He paints in Russian dyes. We had him make sketches of all the characters and of each scene as it would be required. He is a well known artist and is quite highly paid for his work. I should say that the fifty sketches of his on that picture—— We had a great many other sketches. It would take a long time to name them.

(Testimony of Cecil B. de Mille.)

Whereupon the following proceedings occurred:

Q. What is the relative importance of the executive staff that you describe here of the Cecil B. de Mille Productions, Inc., to the so-called producing staff? [293]

Mr. LEMING: Just a moment, please.

The witness has spent possibly three hours describing in general terms an executive staff. With the exception of the mentioning of Mrs. de Mille and Mrs. Adams, there has been no other reference to an executive staff, as I have followed the testimony.

The WITNESS: I did not know I was to name them, your Honor. I will be very happy to do so.

Mr. LEMING: The witness has been proceeding in general terms about an executive staff. He has described electricians and sound engineers and sundry other persons and the steps necessary to constitute an executive staff. He has not yet related that testimony to this taxpayer. So, this question it seems to me, is objectionable because we do not know precisely what executive staff this taxpayer had.

Mr. MACKAY: If your Honor please, I just want to correct some impressions Mr. Leming has. Yesterday and early this morning we had gone into the producing unit. This morning, just recently, as your Honor will recall, we have taken up the executive staff, those having their offices in various places, but closely connected with the executive branch of this taxpayer. You will recall that Mr. de Mille testified that it took maybe a year to get a picture ready for shooting, and 40 days to shoot it.

(Testimony of Cecil B. de Mille.)

Mr. LEMING: What picture?

Mr. MACKAY: I submit, if your Honor please, that is a perfectly proper question.

Mr. LEMING: If your Honor please, that testimony was all in general terms. I think it should be related to a specific taxpayer or to some specific situation. It is all generalities about the moving picture industry. We have a specific taxpayer. We have had a lot of irrelevant [294] testimony and we have had but little of a specific character in respect of the taxpayer whose case is pending here.

The MEMBER: There is some merit in what Mr. Leming says.

Mr. MACKAY: I appreciate that, if your Honor please.

The MEMBER: If it was necessary for the petitioner to have an executive staff and a producing staff, it seems to me if you show the petitioner did have such staffs, or was faced with the necessity of procuring them, perhaps Mr. Leming's objection will be met.

Mr. MACKAY: I will withdraw the question.

By Mr. MACKAY:

Q. Now, Mr. de Mille, you have spoken about certain individuals. Will you name those individuals who are connected with the executive part of the Cecil B. de Mille Productions, Inc., leaving out, right now, those executives who are connected with the actual shooting of pictures?

Mr. LEMING: Now, may I inquire if we are limited as to time; is the year of essence in your

(Testimony of Cecil B. de Mille.)

question? We have a number of years involved in this proceeding?

Q. During all of the years from 1923 to 1929, the years involved in this case?

A. The executive staff other than those in the physical production of the picture?

Q. Yes.

A. Almost all are related to the physical production of the picture.

The MEMBER: Perhaps the witness understands what you mean by that separation; I confess I do not. [295]

Mr. MACKAY: I shall withdraw the question temporarily.

By Mr. MACKAY:

Q. The evidence here, Mr. de Mille, shows, I think, that you had, that the corporation had a contract with Famous Players-Lasky dated November, 1923?

A. Yes, sir.

Q. Now, I will ask you to please state what was the executive staff of the productions company operating under that contract?

Mr. LEMING: May I see Exhibit No. 6?

The WITNESS: I will answer as nearly as my memory can be relied upon, for rather a long list. I was President of the corporation and director of the pictures.

Mrs. de Mille was Vice President of the Corporation, consulting on the pictures.

Mrs. Adams procured material.

(Testimony of Cecil B. de Mille.)

Mr. McCarthy, I believe was a director, and arranged the legal matters in connection with it.

Mr. Fisher was production manager.

Miss Rosson was assistant secretary, I believe, at that time.

Paul Iribe was art director.

Bert Glennon was camera man.

Mrs. Adams, the Playwright, procured the material.

Kiesling, I think, was publicity head——

By Mr. MACKAY:

Q. Not wishing to interrupt, I show you petitioners' Exhibit No. 6 and call your attention to page 15, Mr. de Mille, which enumerates, not the names, but the officers. [296]

A. I think this will help me to give the names. The head Assistant was Cullen Tate, and his assistants were too numerous to mention.

The camera man was Bert Glennon.

The Art Director, Paul Iribe.

Scenario Writer, Jeanie Macpherson.

Publicity man, Barrett Kiesling.

Set Electrician, Ewing, I believe; I am not certain of that.

The property man was Madigan.

The head grip, which I neglected to mention in my summary of the staff—I do not recall his name.

The Set Carpenter was George Dixon.

The Wardrobe Mistress, I believe, was Clare West.

Production Manager, John Fisher.

(Testimony of Cecil B. de Mille.)

Play Reader and Assistant, Adams.

Prop Maker—I am afraid the name has slipped me.

The cutter was Anne Bauchens.

The special packages man, Roy Pomeroy.

Q. The contract in evidence, not only that particular contract, but the other contracts also show that on the termination of those contracts that the staff you have enumerated, that those people who are not named but whose positions are named in those contracts, are to follow the Cecil B. de Mille Productions, Inc.?

A. Yes.

Mr. LEMING: Just a moment. The question is very general, as to all of the contracts. The question involved other contracts. I do not think [297] we can follow this very well without specific reference to specific contracts. I think the question is objectionable for that reason. It places the respondent at a disadvantage in trying to follow the purport of the testimony.

Mr. MACKAY: I shall name them, Mr. Leming.

Mr. LEMING: May this question be stricken?

Mr. MACKAY: It may.

By Mr. MACKAY:

Q. Mr. de Mille, I call your attention to the provisions of the contract of November, 1923 with the Famous Players-Lasky, and also the contract with Cinema Corporation of February, 1925, the contract with Pathe, dated, I believe, in April, 1927, and the Metro-Goldwyn-Mayer Contract in 1928; in all those contracts, Mr. de Mille, there are provisions which provide that upon the termination of the contract

(Testimony of Cecil B. de Mille.)

the staff organization to which you have just referred, the personnel of that, go to the Cecil B. de Mille Productions, Inc.; now, I will ask you if that staff that you have named has always been the staff of the Cecil B. de Mille Productions, Inc., and whether that personnel has come to you after you have terminated the contracts with these people that I have mentioned?

Mr. LEMING: Just a moment, please.

If your Honor please, that question is so involved I do not believe it is possible to follow it. It is objectionable for that reason. Mr. Mackay has stated several things the contracts were supposed to involve. I do not know and do not know whether any of the others know that is true or not. The contracts speak for themselves. Now, if there are particular provisions of those contracts which are being varied, or which [298] are being attempted to be varied by the witness' testimony, they should be singled out, but the contracts are in evidence and it seems to me that unless he is trying to vary some particular provision of them, the question is improper.

The MEMBER: I do not think it is so involved. It is very clear to me what he is getting at. You may be right as to the matter of assuming that certain of the contracts have such provisions, but I think it has been testified here it is the general practice to include in such contracts a provision that the staff accompany the petitioner upon the conclusion of the contract. Whether all of the exhibits

(Testimony of Cecil B. de Mille.)

show that, I do not know, as I have not examined them.

Mr. LEMING: I have been reading them diligently so far as I have been able in my working hours, and they are rather long contracts and a number of them are in evidence——

The MEMBER: I wonder if we cannot find the difficulty by asking the witness if the contracts contained such a provision and whether the staff did go with the petitioner company in accordance with the provisions of those contracts?

Mr. LEMING: Thank you. If your Honor please, I was going to say that if they followed the contracts, that would be in accordance with the question.

The MEMBER: That is what you are getting at?

Mr. LEMING: If you put it that way, I have no objection.

Mr. MACKAY: Of course, if your Honor please, I am not attempting to vary the terms of the written contract. I am stating a fact, what I know to be a fact, which is what the terms are. Then my question is [299] if, under the terms of the contract this personnel really belonged to them and if at the termination of the contracts the Cecil B. de Mille Productions, Inc., got what they actually intended to get.

The MEMBER: I understand Mr. Leming's objection is that while you may have knowledge of the contracts, you are speaking about something which Mr. Leming and I do not know, because we have not had an opportunity to examine the contracts.

Mr. MACKAY: I will limit it.

(Testimony of Cecil B. de Mille.)

The MEMBER: I am sure it is easy enough for you to get in this testimony in a way we can follow.

Mr. MACKAY: Yes, sir.

By Mr. MACKAY:

Q. Mr. de Mille, I call your attention to Petitioners' Exhibit 6, which is a contract dated November 16, 1923, by and between Famous Players-Lasky and Cecil B. de Mille Productions, Inc.

A. Yes.

Q. I will ask you to examine that contract and state whether or not there are provisions in there which specify that certain personnel——

The MEMBER: Tell him the number of the paragraph, if you know, in order to save time.

The WITNESS: I know it is there. I am perfectly familiar with the contract. It so states, and when I left the company I took such an organization with me.

By Mr. MACKAY:

Q. You mean Cecil B. de Mille Productions, Inc., took it?

A. Yes. [300]

Mr. LEMING: If I understand his Honor's suggestion, it is that he specify the paragraph.

The MEMBER: Let us have it. That will meet Mr. Leming's suggestion.

The WITNESS: This paragraph provides that in the event this contract it terminated——

Mr. LEMING: What paragraph, Mr. Witness, please, and the page?

The WITNESS: Page 15.

(Testimony of Cecil B. de Mille.)

The MEMBER: Of Exhibit 6; is that right?

Mr. MACKAY: Yes, sir.

The WITNESS: The first paragraph at the top of the page.

Mr. MACKAY: Will you read the paragraph?

The WITNESS: "In the event this contract is so terminated, the producer shall be entitled to, and there shall be transferred to it"——

Mr. LEMING: If your Honor please, there is no occasion, as I see it, to read this contract into the record. It has to be read in connection with the whole contract. To start out by saying that if the contract is so terminated—that means that something has gone on before——

The MEMBER: Let me see it. Indulge me a moment, gentlemen.

Mr. LEMING: What I want is an identification of what we are talking about here.

The MEMBER: It is clear enough that this provision states the petitioner is to take the contracts and rights to the services of all the members of the staff of the producer. That is what we are talking about.

Mr. MACKAY: Yes. [301]

The MEMBER: The question is whether or not this productions company upon the expiration of that contract did take over the staff; in other words, did it or did it not?

The WITNESS: Yes, sir.

By Mr. MACKAY:

Q. Mr. de Mille, are you familiar with the terms of the other contracts that follow?

(Testimony of Cecil B. de Mille.)

A. Yes, sir.

Q. And the same provisions are in all of the other contracts, are they not?

A. Yes, sir.

Mr. LEMING: The question is objectionable for the same reason. We have this one specified——

The MEMBER: I will sustain it. It is easy enough to be specific, Mr. Mackay.

Mr. MACKAY: Yes, sir.

By Mr. MACKAY:

Q. I will ask you, Mr. de Mille, if you continued, if the Cecil B. de Mille Productions, Inc., continued to keep that staff?

A. Yes.

Q. And during all of the time——

Mr. LEMING: If your Honor please——

By Mr. MACKAY:

Q. —that you were producing pictures?

Mr. LEMING: May I interpose——

Mr. MACKAY: Will you please wait until the question is asked?

Mr. LEMING: You proceeded before I could get a chance to comment upon this question and answer. [302]

The MEMBER: You are speaking of the question and answer just passed?

Mr. LEMING: Yes.

The MEMBER: What is it?

Mr. LEMING: I move to strike for the reason it does not indicate in what way the staff was continued, or how long. I think there is no assumption

(Testimony of Cecil B. de Mille.)

here it continued indefinitely. If it did, this witness could so specify as to years.

The MEMBER: He said it did. If, upon cross examination, you change that answer, you may do that.

Mr. LEMING: All right, your Honor.

The MEMBER: Go ahead, Mr. Mackay.

By Mr. MACKAY:

Q. Now, Mr. de Mille, the Cecil B. de Mille Productions, Inc., produced the "Ten Commandments", did it not?

A. Yes, sir.

Q. Do you know approximately how much it cost to produce that?

A. $1,475,000.

Q. It also produced the "King of Kings"?

A. Yes, sir.

Q. And do you remember what that cost?

A. $2,335,000. The producing of the "King of Kings" was under different circumstances than that of the "Ten Commandments". I presume I am correct, but I have to refer to the contract to see what the technical difference was. [303]

Q. Do you know approximately, for instance, what the "Ten Commandments" grossed——

Mr. LEMING: I object to that, if your Honor please. The record ought to show that. We are getting into rather general terms instead of specific facts, which, I assume, are susceptible of proof, and if so, we should have the definite and certain proof, so far as their records show, if their records do show.

Mr. MACKAY: I will withdraw it.

(Testimony of Cecil B. de Mille.)

By Mr. MACKAY:

Q. Mr. de Mille, how many pictures has the Cecil B. de Mille Productions, Inc., produced from the time of its organization until the end of 1929, or, to the present time?

A. At the end of 1932 I had produced 18 pictures.

Q. Approximately how much did they gross, if you know?

A. $21,730,000.

Mr. LEMING: I move to strike the answer, if your Honor please, it is not the best evidence of that fact. If it is of importance at all, it is susceptible of the ordinary proof.

Mr. MACKAY: We did not want to be forced to get the Famous Players-Lasky records and show what it grossed. This man produced the pictures. He know more than the records know. He actually knows. If counsel can break it down on cross examination, that is his privilege.

The MEMBER: I do not understand the exact amount of the gross is material here. This witness has been asked about how much it grossed—I will let his answer stand.

Mr. LEMING: Exception.

The MEMBER: Note the exception. [304]

By Mr. MACKAY:

Q. Do you know approximately how much the Cecil B. de Mille Productions, Inc., received from that gross during that period on those pictures?

Mr. LEMING: Objected to.

(Testimony of Cecil B. de Mille.)

The MEMBER: That is the same objection, is it not?

Mr. LEMING: No, if your Honor please.

The MEMBER: All right.

Mr. LEMING: It has not been shown in the evidence here how the Productions Company was compensated.

The MEMBER: That is in the contract, is it not?

Mr. MACKAY: Yes, your Honor. I have taken a long time to prove it.

Mr. LEMING: Now, we are coming to one of the most crucial things in this case, if your Honor please, which is the income of this corporation. We are coming now to something which is important and relevant, which is, what was the income of this corporation and what were the sources of it. Now, if your Honor please, I submit that the records are necessary on that point and that we should have definite testimony and not approximations.

The MEMBER: Where are you going with this line of testimony, Mr. Mackay?

Mr. MACKAY: If your Honor please, I think in my opening statement I said that this taxpayer had paid a great deal of money because it lacked money to use in the producing of pictures. My only purpose in asking this is to show that over a period of ten years this taxpayer has produced 18 pictures, grossing approximately $21,000,000 and this taxpayer got, I think, not more than $3,000,000 out of it, or whatever the amount was, merely to show that this taxpayer could have made more money if it had

(Testimony of Cecil B. de Mille.)

had [305] its own money to operate on. In other words, this is tending to show that the company was under a handicap at all times because it was not using its own finances, which, I think, is a necessary part of the case.

Mr. LEMING: If your Honor please, I think that statement of counsel certainly illustrates the force of what I have tried to say.

The MEMBER: I think it does. I note in Exhibit 2 for the year 1929 under the heading "Royalties, picture", on Schedule 8-2, Pathe, $200,000; I take it that, under the contract which this petitioner had with the Pathe Company, was a certain percentage of the gross earnings of the picture made for Pathe; is that right?

Mr. MACKAY: Which item?

The MEMBER: The item of $200,282, Pathe, under "Royalties, picture", in the year 1929.

Mr. LEMING: May I inquire, if your Honor please, the page?

The MEMBER: In Schedule 8-2—I do not have any page.

Mr. MACKAY: It is the $200,282 figure?

The MEMBER: The figure is not important. Do not try to find the page. What I am inquiring is this: Is it not possible to take this figure received from Pathe, and the Pathe contract, which is in evidence and which I am told brings a certain percentage of the gross earnings of the figure from Pathe to this petitioner, and compute exactly the gross earnings of the Pathe picture?

(Testimony of Cecil B. de Mille.)

Mr. MACKAY: I think it is all in here, if your Honor please, and the analysis will show that.

The MEMBER: Wait a minute. I can see it may not be in here. If you are asking now about the gross earnings of a picture turned over to [306] Pathe, for instance, those will not be contained on the books of the petitioner, but on the books of the Pathe Company, and of course, we come to the rule immediately that the books are the best and only evidence, perhaps.

Mr. MACKAY: Of course, we could do it this way: We could take the Pathe contract, where they were supposed to get 15 per cent of the first million——

The MEMBER: That is the purpose of my question. I did not propose to over-ride Mr. Leming here and let this petitioner testify as to what Pathe's earnings may have been unless we have some definite check here.

Mr. MACKAY: It is really not for the purpose of showing what Pathe did, but to give the Court some idea of the hazards and difficulties under which the corporation operated because it did not have money to operate on. The witness, having been a director and producer of pictures, knows of his own knowledge, perhaps better than the records of Pathe would show. We are not trying to prove dollars and cents. Any executive would be familiar with it. I dare say you could put an executive of the steel company on the stand and he could tell you off the bat how much the steel corporation spent last year

(Testimony of Cecil B. de Mille.)

in producing something. The President of the United States certainly could say it cost $100,000,000 for the R. F. C., and he could testify to that without going to the books.

The MEMBER: We have had discussion enough, I guess. Read the question, Mr. Reporter.

(The question referred to was read aloud by the reporter as above recorded.) [307]

The MEMBER: That question referred to the picture "King of Kings"?

Mr. MACKAY: The "King of Kings" picture, your Honor.

The MEMBER: And all of the pictures made by Cecil B. de Mille Productions, Inc.?

Mr. MACKAY: All of the pictures made by de Mille Productions, Inc., yes, sir.

The MEMBER: During all these years under all of these contracts?

Mr. MACKAY: Yes, sir.

The MEMBER: I shall sustain the objection.

Mr. MACKAY: Note an exception.

The MEMBER: An exception may be noted.

By Mr. MACKAY:

Q. Now, Mr. de Mille——

The MEMBER: May I interrupt you a moment? Perhaps you will want to dig some stuff up here, and this is a good time to take a short recess.

(At this point a recess was taken after which proceedings were resumed as follows:)

By Mr. MACKAY:

Q. Mr. de Mille, yesterday you testified a little about the partnership. I will ask you now if at the

(Testimony of Cecil B. de Mille.)

time you organized that partnership either you or the other partners intended that it should be used as a means of escaping surtaxes?

A. No, sir.

Q. What have you to say with respect to the formation of the corporation; was it formed by you, or did you and the other incorporators at the time it was formed intend that it should be used as a means of aiding you to escape surtaxes? [308]

A. No, sir.

Q. That is, through the retention of your earnings?

A. No, sir.

Q. When did you conceive that idea of organizing that partnership, Mr. de Mille?

A. The form of the partnership I did not conceive at all; that was conceived by our attorney.

Mr. MACKAY: What was your purpose in organizing it?

The WITNESS: The form of the organization—I presume that is what you mean?

By Mr. MACKAY:

Q. Yes.

A. Some time back in 1917 or 1918, I do not remember just when, Mrs. de Mille and I first talked about it. We talked about it a good deal as we saw the disaster overtaking individuals in the Famous Players-Lasky Corporation and others, and the first definite date which I can recall—I cannot recall the day of the year—was when we sent for Mr. McCarthy and told him that we had decided that

(Testimony of Cecil B. de Mille.)

such an organization must be formed. Evidently, shortly after that, prior to its complete formation, I must have gone to Mr. Lasky, because I was Director General of the corporation—I must have gone to Mr. Lasky and told him of our intention and told him that those people that I had developed, that we were going to endeavor to form into a separate unit or corporation and that——

Q. And by those people you had developed, you refer to whom?

A. To the staff. [309]

Mr. LEMING: If your Honor please, I move to strike that question and answer for the reason, again, that the general testimony of this witness about a staff has not been in respect of a particular staff. If he has in mind any particular staff which he took over, then it should be stated specifically. The question and answer are both objectionable, lack definiteness and certainty, and I move they be stricken.

The MEMBER: He has named them by name and has said he took them over and kept them from then on. I shall overrule the objection and permit the answer to stand.

Mr. LEMING: Note the exception.

The MEMBER: Note the exception.

The WITNESS: If I may clarify that, that staff, of course, was subject to change and was changed in certain individuals from year to year. In the middle of the making of the "King of Kings", for instance, Mr. Iribe went out and Mr. Leisen came in, and

(Testimony of Cecil B. de Mille.)

there were changes of that kind from time to time. So, a better picture of the situation can be gotten by alluding to the position rather than to the names.

By Mr. MACKAY:

Q. Has that staff always been known as the staff of the Cecil B. de Mille Productions, Inc.?

A. Yes.

Q. And has always been a separate unit when working in these other places?

A. Yes, sir.

Q. Mr. de Mille, I call your attention to Exhibit 2. which is—I am reading from Exhibit 2, Mr. de Mille, which is the balance sheet, or, rather, comparative balance sheets of Cecil B. de Mille Productions, [310] Inc., and——

Mr. LEMING: What page?

Mr. MACKAY: This is the first page. It shows a surplus at the end of 1924 of $258,000. This record also shows that during the year 1924, $4,000 dividends were paid.

By Mr. MACKAY:

Q. I will ask you, Mr. de Mille, why all of the earnings for that year were not declared out as dividends?

A. At the formation of this company, Mrs. de Mille and I had a very long and serious discussion as to the necessity for having our own company and building our own finances so that we would not be dependent upon outside sources, upon the banks. When banks came into pictures, trouble came in with them. When we operated on picture money,

(Testimony of Cecil B. de Mille.)

there was joy in the industry; when we operated on Wall Street money, there was grief in the industry. We desired to be independent and finance our own productions, our own company, in its entirety, so that we would be free to make the picture we wished, when we wished, and to have a company that was a complete separate entity and would be able to make its own pictures in its own way.

We realized that we would have to sacrifice a great deal of time; that it practically meant the elimination of home life. Mrs. de Mille will probably recall that conversation; that it meant 18 hours a day in the studio to build such an organization, to make the amount of money that we required, and we determined we would sacrifice everything to that end.

We discussed the amount of money at various times; what it took to finance pictures was changing from year to year and always increasing. [311] As I say, the first Squaw Man, we thought $20,000 was sufficient, and it cost $40,000; the "King of Kings" cost $2,300,000. That shows you the manner in which costs were changing from year to year.

We realized it was necessary to have financing, not only for the single pictures we would make, but for other pictures in between those pictures we would make, which would be made by our organization in order to carry the personnel while I, as Director, was preparing the next picture that I, as a Director, would make for the corporation or partnership.

(Testimony of Cecil B. de Mille.)

To do that takes a very large amount of money, as pictures range in cost from two or three or four hundred thousand dollars for the lesser pictures, up to two million, two and a half million, and up to nearly five million, the cost of Ben Hur, or, four million. Somehow, the figure of $4.000,000, came in as a minimum. That figure is not, in my opinion, in the light of what has happened, sufficient to have properly financed us. That point is very clearly shown in the Cinema contract, which calls for the financing company to deliver to us $2,800,000 the first year and then increasing amounts for five years up to $11,000,000 on the fifth year. That shows clearly the amount of money required to finance production.

Q. You considered $258,000, that that surplus was wholly inadequate?

A. Completely inadequate.

Q. I will ask you if any part of that was retained during the year 1924, or shortly afterwards, for the purpose of preventing the imposition of surtaxes upon you?

A. Definitely not. [312]

Q. Or upon any of the stockholders?

A. No.

Q. And it was not discussed—was any discussion had at that time regarding the retention of those earnings with the intention of saving you taxes?

A. No.

Q. There was not?

A. No.

(Testimony of Cecil B. de Mille.)

Q. Or of saving any of the other stockholders taxes?

A. No.

Q. I will call your attention to the surplus at the end of 1925, which the record shows—I am reading from Exhibit 2—to be $659,037.14; would your answer there with respect to the surplus at the end of 1925 be the same as it was with respect to the year 1924?

A. It would be the same, with a very important addition, however.

Q. Will you please state that addition?

A. That trouble had developed, serious trouble, between Famous Players-Lasky and ourselves at this stage. We had very nearly to put up $476,000 excess on the "Ten Commandments" cost, and that had gone into a decided breach between the two organizations; the friction as to the type of picture to be made was increasing and it was evident that a break was imminent, and that every dollar we could conserve would have to be conserved as we might at any time be put in a position to stand on our own feet financially as well as artistically.

Q. The contract between Famous Players-Lasky and you was terminated early in 1925; so, what you have to say with respect to that applies to the year 1924? [313]

A. Yes. The difficulty started, I should say, in the middle of 1925, at least.

Q. The record——

A. But the contract was terminated, if I remember rightly, in January of 1926. So, 1925 is the year

(Testimony of Cecil B. de Mille.)

in the trouble accrued in. The termination was merely the outcome of six months of strife.

Q. At that time the record also shows that the acquisition of the Ince Studio that you had attempted to acquire the Ince Studio?

A. We did acquire it.

Q. Now, Mr. de Mille, referring to the surplus at the end of the year 1925 of $659,000, I will ask you—first, let me say this: The record further shows that in 1925 there was a dividend paid of $4,000, a total dividend?

A. Yes, sir.

Q. I will ask you if any of the dividends for 1925 were retained by this corporation in order to relieve you of paying surtaxes?

A. No, sir.

Q. Was any discussion had by you or any of the directors indicating an intention to retain the earnings of the corporation for that purpose?

A. No, sir.

Q. And I include in there—I will withdraw that. I will ask you if the earnings were retained for the purpose of relieving the other stockholders from the payment of surtaxes?

A. No, sir. [314]

Q. Now, at the end of 1926, Mr. de Mille, this exhibit shows a surplus of $1,080,776.36 and dividends paid of $40,000?

A. Yes, sir.

Q. I will ask you if any of the earnings for the year 1926 were retained by your corporation with

(Testimony of Cecil B. de Mille.)

the intention on the part of any of the directors or all of them, to relieve the stockholders of paying surtaxes?

A. No, sir.

Q. Was any discussion had at that time with respect to that matter?

A. No, sir.

Q. Or at any other time; did you have any discussion at any other time about retaining the earnings for the purpose of relieving you of surtaxes?

A. No, sir, not until the Government charged us with it.

Q. Now, Mr. de Mille, you have heard—I will withdraw that.

Further referring to Exhibit 2, it shows that the surplus at the end of the year 1927 was $1,134,956.68 and that the corporation during that year had paid dividends in the sum of $40,000?

A. Yes, sir.

Q. I will ask you if the corporation retained any of those earnings, any of the earnings for the year 1927, with the intention on the part of the directors or on the part of any one of them, for the purpose of relieving the stockholders, or any of the stockholders, of surtaxes?

A. No, sir.

Q. Was any discussion had at that time or at any other time with respect to the escapement of surtaxes?

A. No, sir. [315]

Q. I call your attention to the surplus existing at the end of the year 1928, which, from this record,

(Testimony of Cecil B. de Mille.)

shows $1,380,487.01 and shows the payment of a cash dividend in the amount of $56,000 and a stock dividend of $400,000; I will ask you if the corporation retained those earnings for the year 1926 with the intention on the part of any of the directors to relieve the stockholders of the payment of surtaxes?

A. No, sir.

Q. Was any discussion had at that time, or at any other time, with respect to the retaining of the earnings for the escapement of taxes by the stockholders?

A. No, sir, not until, as I have stated, the Government charged us with it.

Q. Now, in 1929, the surplus shows $1,333,743.51. I will ask you if the answer and the reasons why the earnings for that year were retained would be the same as for the other years?

A. Yes, sir.

Q. And I will ask you if there was any intention on the part of anyone to keep them for the purpose of relieving the stockholders of surtaxes?

A. No, sir.

Q. Now, Mr. de Mille, why did the corporation retain its earnings over these periods—I will withdraw that. Do you know of any other reason why the corporation retained its earnings than the ones that you have given? [316]

Q. Will you please state them to the Court?

A. On the termination of the Famous Players contract, which was terminated suddenly, though we were sure it was going to occur—there was a thirty

(Testimony of Cecil B. de Mille.)

or sixty day clause giving the right to terminate—when we were sure the termination was coming, the corporation decided to immediately start producing for itself separately and find another distributor. We had been looking for a studio to this end for some time. The necessity at this point was important, and I was called to New York. At a meeting before leaving Mr. Fisher was told—I think Mrs. de Mille and Mrs. Adams also—to investigate the Ince Studio with a view to buying it if it covered our needs. I believe I had one brief look at it before leaving for New York to negotiate another distribution contract and also financing, because we were not sufficiently—we had not sufficient money to continue our own product, or nearly so.

I felt if we could buy the studio and start the organization and take in enough independent companies to perhaps carry a good deal of the overhead, we could do that while we were producing our own pictures.

Mr. Fisher bought the Ince Studio, paying $10,000 down at one time, and we had negotiations back and forth while I was in New York. Those figures went back and forth from $700,000 to $500,000. The first wire I had from him was a figure of seven, I believe, and I told him I thought that was out of line and asked him to estimate how much we would have to spend on the studio to put it in order. He wired me he thought that would be $100,000 or thereabouts; that it was pretty old-fashioned and that a good deal would have to be done but it was a fine

(Testimony of Cecil B. de Mille.)

piece of property and worth a good deal of money, situated between Metro-Goldwyn-Mayer and the Paramount Studios.

I told him to close it at fifty if the board agreed. We bought it at fifty and we made the deal for distribution with the Producers Distributing Corporation, which was a distributing corporation formed from the Hodkinson Company, the W. W. Hodkinson Company, which in turn was owned by some banking interests. They had distribution and we had production. They made a deal with us, or we with them, to lift our producing organization out of de Mille Productions and into de Mille Pictures Corporation.

Q. But after you got that contract, Mr. de Mille, with the Cinema Corporation, why did you need to conserve your earnings?

A. We had one experience with a contract with Famous Players, and though this contract with Cinema was for five years, with a three year option—I am not certain whether it is the Famous Players or the Cinema or Pathe—I think the Cinema was made for five years with a three year option on their part of continuing.

Before I got back from New York, having made the deal, we found that the $500,000, which was the first payment they were to pay into the new company for the making of the first two small pictures, was used half to clean up their own debts on the old Hodkinson Company.

Q. Did that affect——

(Testimony of Cecil B. de Mille.)

A. Very materially. I instantly saw that the name "de Mille Productions" had been brought in for the purpose of giving life to what was apparently a pretty sick institution, and giving it momentum to go on, and establish credit for it, and what not, and I instantly saw that there was probable danger ahead. [318]

All of that was within the first two weeks of the corporation, and productions on several occasions, had to guarantee the payment of the salary checks at the bank, as I recall it. So, it would have been folly at such a time to have said, "Let us declare a dividend". We did not know whether it would last two months or not.

Q. Did that uncertainty continue to the end of 1925?

A. It was continued through the entire association.

Q. And that lasted until April, 1927, when you made a deal with Pathe?

A. It continued through the deal with Pathe until the end came, which was the collapse of the Pathe contract.

Q. Did anything happen in 1927 or thereabouts with respect to the producing of pictures?

A. Something very serious happened in 1927.

Q. In what way that affected——

A. The Warner Brothers had developed sound to a point where I think, at the end of 1926, if I remember rightly, or some time in 1927—I am not certain of the date, but in 1927, I think, they re-

(Testimony of Cecil B. de Mille.)

leased a picture with Al Jolson, called some kind of a singer, in which he sang some of his songs. It was a tremendous success. The picture was not a particularly good picture, but it grossed in excess, I believe,—it is an estimate and I have no knowledge of it—of $3,000,000. For a picture as little as that to be able to gross what these productions of mine had been grossing and to exceed some of them, showed very clearly that the industry was in for a complete revolution; that everything was changed or would be changed if this new thing developed, the new sound pictures. We did not know definitely at that time whether it would [319] develop; whether it was just a passing phase of the industry that would blow over like a number of other innovations; we did not know whether it was of that nature or whether it would take the public and interest them.

Q. What effect did that have upon the equipment in your studio?

A. If I may say this, incidentally, if that picture was successful, as it was, if the public took to sound, every piece of equipment in every studio was really junked overnight. There was no value left to anything, cameras, actors, directors, nothing counted but money to start a new organization with, and you did not know whether you had an organization or not, because the camera men were different, your actors were different, and in sound it takes a voice and some of your best stars in the silent pictures could not read the lines; they had no voice. The

(Testimony of Cecil B. de Mille.)

little stars came up overnight. The stage suddenly came to Hollywood and wiped out all of the old values completely. It was a new deal as far as pictures were concerned.

Q. About when did that happen, Mr. de Mille?

A. 1927 and 1928. The studios were junked. If I may refresh my memory, I have the date of those things in my pocket. Is there any objection?

Q. If counsel has no objection, you may refresh your memory as to the dates.

A. I think that will be a little more accurate.

Mr. MACKAY: Do you have any objection, Mr. Leming?

Mr. LEMING: You mean as to when sound came in?

Mr. MACKAY: Yes.

Mr. LEMING: The date the first sound picture was exhibited? [320]

The WITNESS: I have it right here.

By Mr. MACKAY:

Q. You have it?

A. Yes.

Q. When was it?

A. It was in 1928 that sound became such a vital factor. All equipment was junked overnight and a completely new technique had to be developed. Everybody had to start from scratch. The studios that had cost so much money, and all of their equipment were useless; new stages had to be built.

Q. Did you have any idea as to what it would cost at that time to construct a studio to take care of the new sound development?

(Testimony of Cecil B. de Mille.)

A. Anyone could see on every side what it cost.

Mr. LEMING: At what time?

Mr. MACKAY: 1927 and 1928.

By Mr. MACKAY:

Q. What, in your opinion—what was your idea at that time?

A. The last picture I had completed for Pathe that was directed by me, called the "Godless Girl" was in serious distress because it came in at the end of silent or the advent of sound. It was a silent picture, and after the termination of my agreement with Pathe and the agreement of de Mille Productions with Pathe, they asked that they be allowed to put a sound end on, because nothing could sell that did not have sound. That was a picture with nearly $700,000 invested in it that was made valueless overnight——

Mr. LEMING: If your Honor please, I move that that be stricken. If it is material at all it is a matter which is susceptible of proof. In other words, it may be that someone has taken a loss in their income tax [321] return on account of that $700,000; if so, that is a material factor. I do not know anything about it, but the witness is not offering competent proof here. His testimony is not competent to prove such a fact. I move it be stricken.

Mr. MACKAY: If your Honor please——

The MEMBER: I shall overrule the objection. It is merely corroborative of the general testimony of the effect the development of sound pictures had on the industry. Certainly he should know about it if anyone does.

(Testimony of Cecil B. de Mille.)

Mr. LEMING: I ask an exception.

The MEMBER: Note the exception.

By Mr. MACKAY:

Q. Mr. de Mille——

The WITNESS: I do not think I completed my answer.

Mr. MACKAY: Will you please read where he left off?

(The portion of the record referred to was read aloud by the reporter as above recorded.)

The WITNESS: —so that they had to put some sound in every picture.

Mr. LEMING: If your Honor please, may I for the record extend my objection further? It went to the loss which was taken. The answer mentions the investment in the picture and for that reason I ask the answer be stricken because there is no competent proof of the investment in the picture or its cost. I submit those matters are not material and are highly prejudicial. I cannot conceive of their going into the record for any competent purpose except through competent proof.

The MEMBER: The exact cost of the picture mentioned is not in issue here. I shall overrule the objection and allow an exception. [322]

Mr. LEMING: Note an exception.

The MEMBER: The reporter has noted it. Go along and finish your answer, Mr. de Mille.

The WITNESS: So, they put a little sequence of a few feet in sound, in very crude sound on the end of this picture, which was made not by me or

(Testimony of Cecil B. de Mille.)

de Mille Productions, but by another director, with sound, the de Mille Productions consenting to that, for I found I knew nothing about it and that nobody else knew very much. Sound engineers took complete control of the industry. The contract with Pathe was terminated.

We found ourselves on the termination of the agreement with a staff that could make marvelous silent pictures but that knew nothing of sound pictures; with $100,000 of equipment that de Mille Productions took under the closing of the Pathe contract with them that was valueless, and general chaos reigned.

It seemed to me to be a very poor time to take what surplus we had and hand it out to ourselves to spend, because every dollar we had was more than needed, because we did not know whether there would ever be any more silent pictures or not; nobody knew whether the manufacturers of the sound equipment could control franchises and license producers. So, I have attempted to give you a picture of the chaos the business was in.

Then Mr. McCarthy negotiated with United and Metro-Goldwyn-Mayer for a new distribution contract, and at a meeting with Mr. Mayer and myself, Mr. Mayer representing Metro-Goldwyn-Mayer, we were strong enough on our name, the de Mille Productions meant enough to a distribution organization to get its product, and we were able to make them include in the deal the purchase of all this obsolete material, obsolete equipment [323] that we

had, which they purchased as part of the distributing deal for the de Mille Pictures.

Q. Do you know for how much?

A. I think approximately $80,000, as I recall.

Q. During that time did you have any connection with the banks or any other institutions?

A. Yes, sir. I was Vice President of the Commercial National Bank, which was bought, or merged with the Bank of Italy, which was later changed to Bank of America.

Q. What was your position with that company?

A. I was Vice President, and am Vice President of the Bank of America. I was Chairman of its Motion Picture Loan Committee. We made the loans—I think we were the first bank in the West to make loans to motion picture companies against negatives.

Q. So at that time you knew not only the business conditions of your present company, but the general conditions affecting every one throughout the industry?

A. I was President of the Producers Association at that time for three years.

Q. What is that, Mr. de Mille.

A. The Producers Association is the Western Corporation of the Hays Organization. It is an association composed of all the major producers of the motion picture industry.

Q. Mr. de Mille, are any directors permitted to belong to that organization?

A. No, sir. [324]

(Testimony of Cecil B. de Mille.)

Q. Only producers?

A. Only producers.

Q. Mr. de Mille, did your company purchase any stocks, picture stocks, during this time?

A. I must go back to the Cinema deal. The first weakness, when Cinema got its financing fairly well started out, the gross returns on the pictures were not adequate to take care of the production costs, and we saw it was going to be a losing venture. I urged the Cinema Corporation to make theatre alignments, and Mr. McCarthy was either in New York or went on to New York to negotiate the financial handling of that transaction, and as these were arranged they were passed to de Mille Productions to take care of the business of the purchasing of the theatres.

Q. Was there any obligation on the part of de Mille Productions to purchase theatre stocks?

A. Yes, sir—you asked did they purchase stock in theatres?

Q. Yes.

A. Yes.

Q. Can you give an instance, or have you any evidence where they purchased stocks?

A. The Golden State Chain, which was through California—I am afraid the books can tell that better than I can, but there was also a chain of theatres through the Middle West, the name of which has slipped my mind, but there were about four or five theatre chains that we went into. Then, after

(Testimony of Cecil B. de Mille.)

the Metro-Goldwyn-Mayer Association, they asked us to purchase, at the time of the purchase by Fox, they asked us to purchase a large block of the Fox Theatre stock, and we purchased $185,000 worth of that stock. [325]

Q. What were those stocks purchased for; what was your purpose in purchasing them?

A. The purpose of the purchase of the stocks with Cinema was for the purpose of building up a theatre chain in which to exhibit our pictures, because we realized that the other companies, who were fast getting control of all of the theatres in the country, could shut out our product, and it was necessary for us to have some part of the country more or less monopolized so we could trade with the other big companies which already had parts of the country monopolized. But, with the Fox purchase it was different. That was an expression on the part of Productions, at the request of Mr. Mayer, to show its good-will by supporting the policy of Metro-Goldwyn-Mayer and Fox in the purchase of the Fox Theatres.

Q. Mr. de Mille, I think you have stated that the corporation was organized and that you had an intention of building it up so you could produce your own pictures?

A. Yes, sir, produce and finance our own pictures.

Q. Produce and finance your own pictures?

A. Yes.

(Testimony of Cecil B. de Mille.)

Q. Now, in building up this company out of earnings, did you believe you were violating any laws of the United States?

A. No, sir, I did not believe it and I do not now believe it.

Q. Mr. de Mille, I will ask you if the corporation, the Cecil B. de Mille Productions, Inc., acquired any real estate for the purpose of using it in the production of pictures?

A. Yes, sir. [326]

Q. Will you please state to the Court just what real estate you acquired?

A. There were certain ranches in the San Fernando Valley, up a little canyon, that were bought and put together with what we call the studio lot, or the studio ranch, where big sets are built that are too big for a studio, and we also acquired the Ince Studio. We acquired property on Vine Street, adjoining the Lasky Studio, for the purpose of erecting a theatre, but that theatre was not erected. The foundations were covered and a restaurant known as "The Brown Derby" was erected there, which is a gathering place for the people of the industry. We also purchased the Tempest Theatre in Los Angeles, and there are several other minor ones.

Q. What is the importance of having a ranch?

A. I think I explained that——

Q. You did.

(Testimony of Cecil B. de Mille.)

A. It is where you have a large set, which is too big, such as a great many horses. Every studio has a ranch.

Q. I will ask you, Mr. de Mille, how the value of the real estate that the corporation owned on December 31, 1931, how that value compared at that date with the value of the same real estate, say, in 1922 and 1923?

A. Well, I would say it was between 50 and 60 per cent less value in 1931 than through the early 20's. The collapse had come along in the meantime and the bottom had dropped out of the real estate market. If you take 40 per cent of the value, I think I am safe in saying that very little real estate could have been sold at 40 per cent; you could not sell it at any price; the banks were closed. [327]

Q. What have you to say with regard to the stocks and bonds that you had at the end of 1931?

A. Very briefly, we suffered the way the rest of the world suffered. We had some Norfolk & Western stock which we had bought at 252 a share, and I think it went down to 109, and other stocks and bonds that we held similarly—we held a good many bonds, almost a quarter of a million dollars, or over a quarter of a million par value of Irrigation District bonds that we took at the collapse of the construction company that we had been financing and we were unable to sell those bonds at any price at all. They are now endeavoring to refinance the district. The same applies to all stocks and bonds that

(Testimony of Cecil B. de Mille.)

we held, except, of course, the Government Liberty Bonds and that sort of thing. [328]

Upon cross-examination the witness continuing testified as follows:

My Mr. LEMING:

Q. Mr. de Mille, laying aside all questions of purpose, will you state exactly what business this taxpayer was engaged in in 1924?

A. I will have to make that plural, what businesses.

Q. All right.

A. Do you wish me to enumerate them all?

Q. Yes.

A. I will, as near as I can recollect. The production of motion pictures came first. The operation of real estate, buying and selling real estate and subdividing; the financing operation of an oil company in Oklahoma.

I am not sure whether the aviation company had had its final tail spin by that time or not—you are asking about 1924?

Q. Yes.

A. I think probably the secretary of the company can give you the rest. That is what I recall at present. There are probably some other activities, the financing of different organizations.

Q. Now, is there any change in this business in the year 1925, or did it follow the same business which you enumerated for 1924?

(Testimony of Cecil B. de Mille.)

A. It was in a number of different ones—you are asking about 1925?

Q. Yes.

A. I think the records would have to show when we went into each different field. There are a great many, motion picture theatres, color, stereoscopic camera—there are a great many. I cannot give you all of the details but it is a matter of record fact on our books. [329]

Q. In 1925 did it continue its business in real estate?

A. Yes, sir.

Q. And did it have any business in the purchasing and selling of stocks and bonds?

A. Yes, sir.

Q. In the year 1926 was there any changes made in any of the business you have already indicated?

A. Plus whatever others the books may show and minus whatever others the books may show had become extinct in the meantime.

Q. Is that true for 1926, 1927 and 1928?

A. Yes, sir.

Q. And 1929?

A. Yes, sir.

Q. Can you state, Mr. de Mille——

A. I can add one. When you come down to the latter years, we were very extensively interested in cotton growing in Arizona. We put large sums, for a small corporation such as ours, into that at the time, into development of land for the growing of

(Testimony of Cecil B. de Mille.)

cotton, and particularly the California air Construction Company and several associated companies which were operated by the Secretary of the company and very large amounts of money were put in. Very large contracts were taken by these corporations for the building of a dam in an irrigation district and making roads through both California and Arizona——

Q. In what years was that?

A. I think I can give it to you fairly accurately. That started in 1925——

Q. You mean the development of the cotton land in Arizona? [330]

A. Yes, 1925 and 1926, the development of the cotton land and the construction company. That date is to the best of my recollection.

Q. Did the taxpayer own the land which it was developing down there?

A. The company that it was operating owned the lands. I have forgotten the name of the stock company now. They owned the major part of the—I do not recall whether they owned control or not. The name of the company has slipped my mind. I will recall it in a moment, however.

Q. Are there any other businesses that you now recall that you have not mentioned for any of the years?

A. Unquestionably there are. They are all shown by the operations of the company on its books. I am not terribly familiar with the details of that because

(Testimony of Cecil B. de Mille.)

I do not pay a great deal of attention to the running of it. It was run by the secretary of the organization.

Q. Now, in the production of a motion picture, the activities——

A. If I may recall another very large venture, it was the participation in the digging of some oil wells in Venice, in which we put from time to time something over $200,000.

Q. When did that begin?

A. I am afraid of these dates. I am not very accurate on them. It was in either 1929 or 1930, I think.

Q. Did that involve having wells drilled?

A. Yes, sir. We did not drill the wells ourselves but we invested considerable money in drilling the wells.

Q. How about the land; did that belong to the taxpayer?

A. No.

Q. Was it under lease to the taxpayer? [331]

A. No, it belonged to a separate company.

Q. It belonged to a separate company?

A. Yes, sir.

Q. And was that separate company owned by the taxpayer?

A. No, sir.

Q. In what manner—what was your relation to the income of it?

(Testimony of Cecil B. de Mille.)

A. We advanced $100,000 at a time toward the drilling of the wells, taking an interest in the wells.

Q. In proportion to your investment?

A. Yes, I presume so. I do not even recall what the interest was.

Q. Do you recall any other special enterprises in which the taxpayer engaged?

A. Not at the moment.

Q. There is in evidence as Petitioner's Exhibit No. 7, a contract between the original partnership and Lasky Famous Players Company. You recall that, I assume, what that contract is?

A. Yes, sir.

Q. Now, was that contract transferred by the partnership to the corporation?

A. Yes, sir.

Q. There was also a contract between yourself and the partnership?

A. Yes, sir.

Q. And as I understand that, that was also transferred to the corporation; is that correct?

A. As I recall it. I am not sure whether the technical terms are correct, but the corporation took over those two contracts of the partnership, as I recall it.

Q. The last one I referred to is Petitioners' Exhibit 14. Are you sufficiently sure about it without having to refresh your recollection? [332]

A. Yes.

(Testimony of Cecil B. de Mille.)

Q. So as I understand your answer is both of them were transferred by the partnership to the corporation as part of the assets?

A. I do not know whether that is the correct term or not, but the answer would be yes.

Q. And for that and the other assets of the partnership, the members of the partnership received stock of the corporation, did they not?

A. Yes.

Q. Now, there was also a third contract between you and the Famous Players-Lasky Company dated at the same time as the two I have just mentioned?

A. Yes, sir.

Q. What was the status of that contract at the time of the transfer of the partnership assets to the corporation; that contract is in evidence as Respondent's Exhibit F?

A. That is the same as the endorsements of a note. It is an agreement to see, that is, to the best of my ability, that the partnership performs its part of the agreement. It is customary in motion picture contracts.

Q. That is Respondent's Exhibit F. I just want to be sure of the identity of it for the record. Is that (indicating) the contract you have reference to?

A. Yes, sir.

Q. Now, did that contract continue in force after the assets were transferred to the corporation?

A. I would have to acquaint myeslf with the terms of it. I do not remember when its termination

(Testimony of Cecil B. de Mille.)

was. The contract itself will recite that. I do that know whether——

Q. As I understand you, this contract, Exhibit F, is a personal guarantee [333] on your part of the performance originally by the partnership of its contract with Famous Players-Lasky, which is your Exhibit No. 7?

A. Yes.

Q. Now, then, the contract known as Exhibit No. 7, you have testified, was transferred to the corporation?

A. Yes, sir.

Q. Now, the question I ask, then, is, did this guarantee on your part continue in effect after the other contract was transferred to the corporation?

A. I do not believe, Mr. Leming, I know when the date of the expiration of the contract was. It must state it on it.

Whereupon the following occurred:

Mr. LEMING: Counsel has kindly agreed to stipulate that the contract, Exhibit F, did continue, in effect——

Mr. MACKAY: I am sure it went over when the other contract went to the corporation. This is a guarantee and it continues as long as the other contract remains in existence, as I understand.

The WITNESS: I do not see a provision for termination, so the legal minds will have to determine that.

(Testimony of Cecil B. de Mille.)

Mr. LEMING: If the stipulation is satisfactory, that is all I wish to bring out.

Continuing the witness testified:

By Mr. LEMING:

Q. Now, you testified, I believe, Mr. de Mille, that you went to Mr. Lasky and told him that you were getting ready to, or you were about to sever your relations with Famous Players-Lasky, and you informed him that you were going to take with you the staff which you had built up, am I correct in that statement? [334]

A. No, sir.

Q. Will you state just how you said it, then?

A. I stated that I must have gone—in speaking of the meeting with Mrs. de Mille and Mr. McCarthy—that I must have gone to Mr. Lasky shortly after that and told him of our intention to do this, as I was going to talk to people who were in their employ and I was director general of the company and I did not think I should talk to them until I had talked to him and explain what my position was at the time. This was not at about the time of the formation; it was considerably before it.

Q. Well, did you take part of Lasky Famous Players staff with you when you formed your partnership?

A. No, sir, I took the de Mille staff with me.

Q. Of whom did that consist?

A. That staff was formed, not from Famous Players-Lasky Corporation employees in entirety

(Testimony of Cecil B. de Mille.)

at all; I procured my own people from various sources, not all from Famous Players-Lasky staff. I said I was going to talk to Mr. Lasky about the taking of certain people, but I also drew a number from other studios. When we formed it we put together the best staff we could in the formation of it.

Q. In the matter of a staff, just what staff did you have on the partnership; can you give me the names of the staff?

A. I have enumerated them, I think. I cannot give you the names from year to year for the whole 11 years; there are an awful lot of people there.

Q. I am asking now about the partnership. That was organized in 1920, was it not?

A. Yes, the staff in 1920, the names of the staff in 1920 as near as I can remember? [335]

Q. Yes.

A. President, Cecil de Mille; Vice President, Mrs. de Mille; Neil McCarthy was Secretary; Gladys Rosson, Ella King Adams, Frank Urson was Assistant Director.

Mr. LEMING: How do you spell that?

The WITNESS: U-r-s-o-n. He directed pictures for the organization between the big pictures, the big features which we made ourselves; Claire West, Wardrobe Mistress; Howard Higgins, Art Director; Cullen Tate, Property Man.

By Mr. LEMING:

Q. Tate?

A. Tate. I am not certain of the Tate, because he started in as a property man for the de Mille

(Testimony of Cecil B. de Mille.)

Pictures and went right up to Assistant Director through a period of years. Which year he became Assistant Director is pretty hard for me to say.

Barrett Kiesling, Publicity; Alvin Wyckoff, Camera man; Howard Ewing, Chief Electrician.

There was a man working a special color research that was used. I cannot remember his name. He was a German.

There are a number of others but I cannot recall them at the moment.

Did I name Jeanie Macpherson, scenario writer? There was also a woman named Hattie, who was the hair dresser, a very fine one. George Dixon, Chief Carpenter. There were others but I think that will have to do for the time being. That also is a matter of record.

Q. It is not a matter of record in evidence here, is it, Mr. de Mille?

A. I mean they can easily—those names can easily be produced. I can step down and get them in a second if you would like to have the rest. I am sure Mr. Fisher and Miss Rosson can hand them to me.

Q. If you wish to refresh your recollection, I have no objection, of course, to that. [336]

A. U. S. Poe, Head of Transportation; Paul Iribe, Director; Mitchell Leisen, Head of Costumes; Lawrence Taylor, the making of titles in the silent pictures.

Nils Hendschleigl, Special Color Laboratory.

(Testimony of Cecil B. de Mille.)

Wilfred Buckland, in the Art Department; Hattie Tabourne, the hair dresser, and the cutter was Anne Bauchens, who has been with me for 27 years.

Q. Now, do I understand that is the staff with which you began as a partnership?

A. Yes, sir.

Q. And is that the same staff you had in 1921?

A. Mr. Leming, there is some change almost in every year. When which one was changed and to which position and when one left and another took his place, I cannot testify. We can prepare that if it will be of interest to you.

Q. Did you in 1921 have an individual occupying each one of the capacities you have mentioned there?

A. Yes.

Q. I show you Respondent's Exhibit E, one part of which is the partnership income return for 1921 and I will ask you to examine it and see if you can identify on that return any payment of money to any of the staff you have described?

A. Mr. Leming——

Q. I beg your pardon, Mr. de Mille, but if you do not mind, just answer the question as given to you.

Mr. MACKAY: I submit he is trying to answer the question, if your Honor please.

Mr. LEMING: May I have the witness just a little while? I am not going to be unfair or to try to confuse him. I have asked him a very simple question. [337]

(Testimony of Cecil B. de Mille.)

By Mr. LEMING:

Q. Can you identify from the return a payment to any of the staff you have mentioned in the year 1921?

A. These have always been a mystery to me and I have never been able to answer or understand anything about them. Mr. McCarthy or Mr. Fisher or one of the financial experts can do so, but to me they are a mystery.

Q. Mr. de Mille, there is not much mystery when a name is specified and an amount is placed opposite the name, is there?

A. Mr. McCarthy testified on that and I am willing to make my answer whatever his was.

Q. I again repeat the question, can you, from that document in your hand, identify a single payment made to any of the staff you have described in the year 1921?

A. Nor, sir. Even if they were there I would not be able.

Q. You cannot?

A. No.

Q. Can you from the return from 1920, also a part of Respondent's Exhibit E——

A. The same answer applies?

Q. The same answer to both years?

A. Yes.

Q. Who paid the staff in 1920 and 1921?

A. Cecil B. de Mille Productions, I should say.

(Testimony of Cecil B. de Mille.)

Q. Who?

A. Cecil B. De Mille Productions.

Q. Can you refresh your recollection from any record about that?

A. I do not think I need to, sir. [338]

Q. Would you say these income tax returns which have been introduced in evidence as Respondent's Exhibit E correctly reflect the operations of that partnership in the years 1920 and 1921?

A. I am sure they do.

Q. Thank you. I hand you, Mr. de Mille, the income tax returns of the taxpayer for the years 1923 to 1929, inclusive, and I will ask you to identify them and state whether or not they are the income tax returns of the taxpayer for the years I have mentioned?

A. They are.

Q. I am sorry, but I did not get the answer to the last question.

(Answer read by the Reporter).

By Mr. LEMING:

Q. Mr. de Mille, will you examine those returns and state whether or not they show the payment by the taxpayer in any of those years to any of the staff——

Mr. MACKAY: I do not want to interfere with the cross examination at all, but I imagine the returns themselves show what was paid there.

The MEMBER: Possibly they do. He is asked to

(Testimony of Cecil B. de Mille.)

state whether or not they do, or, at least, whether or not he can find whether they do.

The WITNESS: Your Honor, I wish some more capable mind could be substituted to answer that question than mine.

Mr. MACKAY: Do you want the witness to go through each one of those and state that?

Mr. LEMING: Well, I have a question pending. I do not know how else to proceed.

The MEMBER: If the witness is unable to find it, he can say so, of course. [339]

The WITNESS: I do not know the detail—how much of the detail——

The MEMBER: It is no reflection on the intelligence of the witness if he cannot find a specific item on an income tax form.

Mr. LEMING: I have always been able to identify names and amounts, at least.

The WITNESS: It is a question whether it would show that charge in detail. Would the United States Steel Corporation show payments to all of the puddlers on an income tax return?

By Mr. LEMING:

Q. Mr. de Mille, as a matter of fact, the taxpayer did not pay the staff, did it; is that not the truth?

A. I think I have testified on that point.

Q. Is it true the taxpayer did not pay the staff?

A. I would say they did.

Q. How?

(Testimony of Cecil B. de Mille.)

A. They received money weekly from Famous Players and they were paid through the machinery of the Famous Players Office.

Q. They were paid directly by Lasky Famous Players?

A. You mean who handed them the check?

Q. You did not hand them the check?

A. No.

Q. And when I say you, I am speaking about the taxpayer.

A. We did not hand them a check.

Q. They were paid by the check of the Lasky Famous Players, were they not?

A. We employed them and they worked for us and they were paid by check of Lasky. We paid Lasky in one check and they distributed a lot of checks, [340] because we did not wish to carry a full accounting department in order to pay 14 or 15 employees a week.

Q. You say you paid Lasky; what do you mean by that?

A. We gave them a check weekly for the expenses that the production had incurred and they were under contract to advance us the money for the production.

Q. Mr. Fisher testified that weekly cost sheets came to his desk and he checked and O. K.'d them and thereupon a draft was drawn upon New York?

A. Yes.

(Testimony of Cecil B. de Mille.)

Q. Is that the procedure which was followed?

A. Correct.

Q. Then why do you say you paid a check to Famous Players-Lasky?

A. We did. We drew the draft and handed Famous Players our check every week for the amount of the expenditures of the preceding week, or two weeks intervening, I do not remember the machinery, whether it was a weekly in all instances or whether sometimes they were accumulated——

Q. Checking on the money they sent you?

A. Which they were advancing.

Q. In other words, they advanced you this sum of money and you gave them a check back out of which to pay, out of the same fund, these salaries and expenses?

A. I think you can put it simpler by saying that out of the money for the production, and we gave them a check as they expended it for us.

Q. As they expended it for you?

A. Yes.

Q. So your check did not mean any outlay of money except that which was being advanced every week by Lasky Famous Players?

A. There was a great deal of money expended aside from that. Take one [341] salary alone, the director's salary, which was $2500 a week——

Q. Whose salary was that?

A. Mine.

Q. Yours?

A. Yes.

(Testimony of Cecil B. de Mille.)

Q. Who paid your salary?

A. Productions, the same as the others.

Q. Was that paid to you under the contract of employment which you entered into with the partnership and which was in turn transferred to the corporation?

A. Yes, sir.

Q. Where did Productions get the money with which to pay the $2500 a week to you?

A. From the advance from New York and an additional advance—I have forgotten the amount, but I think it was $6500 a week, advanced to take care of the executive salaries and other expenses.

Q. That is advanced by the distributors who were putting up the money to pay for the picture?

A. Yes, sir, advanced against 30 per cent of the profits of the picture.

Q. Did they also advance the money with which Mrs. de Mille's salary was paid?

A. Yes, sir.

Q. Did they advance any money for the use of facilities owned by this taxpayer?

A. You will have to be a little clearer; what do you mean by facilities?

Q. Well, I believe you said you had some kind of equipment you used in making motion pictures?

A. Yes, sir. [342]

Q. Maybe I can demonstrate what I mean from one of these returns. For instance, I show you a return here for 1922, which you examined and said

(Testimony of Cecil B. de Mille.)

was one of the income tax returns of the taxpayer, and that return shows an item which says, "Rent of props."

A. Yes.

Q. What does that mean?

A. That means properties of the company owned which were charged to the production of the picture. May I see that again? I want to be sure I have answered correctly.

Q. Yes.

A. Yes, sir. Those were special props of some sort that we owned.

Q. I show you one of the other returns, which is the return for the year 1928 of the taxpayer, which you have identified and I call your attention to the line showing "use of production equipment", would that be equipment used in the production of a picture?

A. Yes, sir, I imagine so. I do not know what the detail is; I do not know whether it is some special case or not.

Q. Did the taxpayer ever charge the distributor for the use of its lands in any way when it was making a picture?

A. I do not recall so. I do not recall that, Mr. Leming; I cannot answer it.

Q. Did it charge rental for cameras?

A. That, I cannot answer.

Q. Now, Mr. de Mille, what was the first income which was received by the partnership which was organized in 1920?

(Testimony of Cecil B. de Mille.)

A. From pictures, or real estate?

Q. I beg your pardon? [343]

A. From pictures or real estate?

Q. I say, what was the first income the partnership received?

A. I will have to have consultation with the books to see whether the royalty check came in first, or the rents or profits from sale. I cannot recall the detail of which check came in first in 1920. Shall I look it up?

Q. Let me ask you this: What was its original business venture, the partnership?

A. When?

Q. What was its original business venture; in other words, did it start out making motion pictures?

A. I have already testified to the making of motion pictures, the business of selling and subdividing lands; the business of financing aviation in its infancy, and all of the answers I gave previously.

Q. I appreciate that. It did not have any money to buy real estate with until it had income from those pictures, did it?

A. A certain amount of real estate was turned over—you are speaking of the corporation or the partnership?

Q. Partnership.

A. No. The partnership started with $25,000 capital, as I recall it, and a contract.

(Testimony of Cecil B. de Mille.)

Q. And then, with that sum and with the income from the pictures that were made, it then began to buy real estate and stocks and bonds, is that right?

A. Yes, real estate, stocks and bonds—I am trying to recall whether any real estate was turned into the partnership, but I think not at its inception; I do not think so.

Q. Now, when the assets of that partnership were transferred to the corporation——

A. Just a second. You say real estate; do you mean that to be the completion [344] of my answer; it is not; real estate, stocks, bonds, and the making of motion pictures. I do not think we bought any stocks and bonds for awhile. I do not remember just how the money was held, but in some way so as to pay us interest, so as to get the biggest return possible on it while operating our picture unit. The purpose of that money being turned in——

Q. Just a minute, please. I think you have answered the question I asked you, and that was until you had an income from the pictures you made there was no money to buy real estate, stocks and bonds, and so forth; is that right?

A. The money was there to make whatever use of it we wanted to, the $25,000 to put to work for us to the best advantage, whether motion pictures or in a savings bank, or in cash——

Q. So the income from pictures, plus the original capital, was what you started investing with,

(Testimony of Cecil B. de Mille.)

what the partnership started investing with, that being the source of the funds?

A. Unless some money went into land. I do not remember whether we bought the property on Highland Avenue with some of the first $25,000, or not. If the books show we did, some of our first income was from the rent of that building.

Q. When the assets of the partnership were turned over to the corporation for its stock, is it not a fact that those assets consisted wholly of your original capital of $25,000, plus accretions by way of income from the moving pictures you have made for distributors, plus the returns on the investments the partnership had made?

Mr. MACKAY: If your honor please, I think the record shows what was turned into the corporation, what properties.

Mr. LEMING: I think he knows. I want to make it clear how this transfer was made and what passed to the corporation.

The MEMBER: Are you asking this witness to state what property was taken [345] over from the partnership by the corporation?

Mr. LEMING: I am asking him—the record shows what assets were taken over, if your Honor please; my question was the basis of those assets.

The MEMBER: You mean the source of the assets?

Mr. LEMING: Yes.

The MEMBER: Where they came from?

(Testimony of Cecil B. de Mille.)

Mr. LEMING: Yes. The original capital, plus accretions due to income from pictures being made, plus income from investment of any of the partnership funds. I do not think there is any controversy about that.

Mr. MACKAY: The record shows that certain assets consisting of cash and properties were turned over to the corporation. It shows $30,000 in cash, as well as investments——

The MEMBER: Never mind all that. That is all in evidence, is it not?

Mr. MACKAY: Yes, sir. I am objecting on the ground that's covered in the evidence. The evidence shows clearly what was taken over by the corporation and I think it is immaterial.

The MEMBER: That is the reason I asked my question. I do not understand whether Mr. Leming was inquiring as to what was taken over, but he tells me he wants to know the source of these assets taken over. With that understanding of the question, is there any objection?

Mr. MACKAY No, not at all.

The MEMBER: He may answer.

Mr. LEMING: Do you want——

Mr. MACKAY: No, go on.

Mr. LEMING: The source of those assets simply lay in your original capital of $25,000, plus the income from the pictures you had been making, plus, in turn, any investments, the return on any investments out of the same fund? [346]

(Testimony of Cecil B. de Mille.)

The WITNESS: No, sir, I do not think your use of the word "investment" is correct there. If starting a business, a real estate business, or a real estate branch of the business is considered as an investment, then perhaps your question is correct and I can answer it. They were returns from different branches of the business. There were also returns from investments.

Mr. LEMING: I think that is sufficient.

The MEMBER: No further capital was put into the corporation when it was formed?

The WITNESS: No, sir.

The MEMBER: So that whatever the corporation took over from the partnership had been accumulated by the partnership through the application of its previous earnings?

The WITNESS: Correct.

Mr. LEMING: Mr. de Mille, I show you the corporation income tax return for the year 1922 and call your attention to the line reading, under gross income, "producing motion pictures, $188,500"; can you say just what that item consists of; what is meant by it?

The WITNESS: Not without reference to the books.

Mr. LEMING: Let me ask this further question and perhaps that will disclose to you more particularly what we wish: Does this item of $188,500 include also your weekly salary of $2500 which was being paid by the Corporation out of money advanced by Lasky Famous Players?

(Testimony of Cecil B. de Mille.)

The WITNESS:. I am not sure I can answer that question. I am sure that I know—I presume that it was; I do not know just how accurate that answer may be.

By Mr. LEMING:

Q. Do you know what else it consisted of?

A. No. If the auditor will give me a couple of notes, I will be happy to testify in two minutes accurately on it. [347]

The MEMBER: Do you want the minutes on that item, Mr. Leming?

Mr. LEMING: Yes, sir.

The MEMBER: I am sure counsel will furnish it to you if the books are here.

Mr. MACKAY: It must be in a schedule attached to the return.

The MEMBER: Look at it.

Mr. MACKAY: I do not know, but I assume it is there; I have not seen the return.

The MEMBER: It is evident this witness cannot, out of his head, give all of the details in that substantial figure.

Mr. LEMING: That particular item is set out on the return, "Weekly payments from Famous Players-Lasky Corporation, $188,500".

The WITNESS: Then, I can answer your first question. It is an advance against 30 per cent of the profits of the pictures produced by de Mille Productions.

(Testimony of Cecil B. de Mille.)

By Mr. LEMING:

Q. And was received in cash in that particular year?

A. Yes, by check.

Mr. MACKAY: What is the amount, Mr. Leming?

Mr. LEMING: This amount I have stated according to the statement on the return, is the weekly salaries from June 10, 1922 to December 31, 1922.

Mr. MACKAY: No, it is not the weekly salaries. It does not so show; it says weekly payments.

Mr. LEMING: Weekly payments, yes.

The WITNESS: That would not be salaries. If it shows salaries there is a misprint of some sort.

Mr. LEMING: The same item is carried on the face of the return.

The WITNESS: Does it show salaries?

Mr. LEMING: It reads, "Producing motion pictures". [348]

By Mr. LEMING:

Q. That is the income item stated on the face of the return, is it not?

A. Yes.

Q. No, Mr. de Mille, I do not want to interpret your return or get you confused, and that is the reason I am asking you if you can say what it is?

A. I cannot say.

Mr. MACKAY: May I ask, Mr. Leming, if you are going to put these returns in evidence?

Mr. LEMING: Yes, I am going to offer them.

(Testimony of Cecil B. de Mille.)

Mr. MACKAY: I have no objection to them.

Mr. LEMING: I am going to offer now, then, the returns for 1922 to 1929, inclusive.

The WITNESS: It is stated here very clearly, "Weekly payments from Famous Players, $188,500".

Whereupon the respondent offered and there were received in evidence, without objection, the income tax returns of the taxpayer for the years 1922 to 1929, inclusive. The said returns were marked as Respondent's Exhibit "H".

Continuing, the witness testified:

By Mr. LEMING:

Q. We are speaking of this salary of $2500 paid by Lasky Famous Players to the taxpayer——

A. No, sir, no salary of $2500 was paid by the Lasky Company to the taxpayer. There is no such item.

Q. Was any particular amount received from the Lasky Famous Players by you on account of your services, particularly?

A. No, sir, except the general agreement with the partnership or [349] corporation, whichever it was, to deliver my services as a director in the production of these pictures.

Q. I see. Then, your salary of $2500 was salary paid by this taxpayer to you?

A. Correct.

Q. Did you withdraw that amount of salary in each of the years?

(Testimony of Cecil B. de Mille.)

Mr. MACKAY: We admitted and have proven it was paid and have gone into it at great length.

The WITNESS: You say for each of the years?

Mr. LEMING: Yes.

The WITNESS: That had better be checked.

Mr. LEMING: 1924, 1925, 1926, 1927, 1928 and 1929?

The WITNESS: Those salaries varied in accordance with the condition of the company.

Mr. MACKAY: If your Honor please, yesterday we put in the record here a statement from the books showing just exactly what salary Mr. de Mille received, from the books.

The MEMBER: Counsel just asked him if he received it and he said he did.

By Mr. LEMING:

Q. Mr. de Mille, you heard the testimony of the other witnesses who have gone ahead of you, I believe?

A. Yes, sir.

Q. And you have heard them testify about certain options which were taken by you from Mr. McCarthy and others at the time of the organization of the partnership?

A. Yes, sir.

Q. I call your attention to a document which bears your signature and [350] appears to have been sworn to on January 19, 1933.

A. That is my signature.

Q. That is your signature?

A. Yes.

(Testimony of Cecil B. de Mille.)

Q. And this is an affidavit executed by you, this document I have just called your attention to?

A. Yes, sir.

Q. I call your attention to that part of the affidavit reading as follows——

Mr. MACKAY: What page?

Mr. LEMING: Page 13. It reads as follows:

"There were many reasons why I insisted upon the options upon the interest of the other parties to the partnership and at the prices which were fixed; first, while they were of importance to the success of the company, I was much more important than any of them, and I felt that I was entitled at all times to be in a position to dominate the company; I wanted to be in a position at all times to be sure that none of the interests in the company could be transferred to anyone other than to someone I should be willing it should go to, and in order to accomplish this it was necessary that I should control those interests".

Is that a correct statement of the situation?

Mr. MACKAY: We will admit so.

The WITNESS: I presume so.

Mr. LEMING: Reading further from the affidavit:

"We discussed what compensation should be paid to those whom I was associating with me as partners and whether they should work for a very low compensation and depend entirely upon their interest in the company for their profits, or whether

(Testimony of Cecil B. de Mille.)

they should be paid a fair compensation as they went along. It seemed to be the preference that a substantial compensation should be paid for the services [351] rendered by the respective partners and that they should participate to some extent in the company earnings as they were realized. I consequently felt under these conditions I should be entitled to exercise the options upon the interests of these respective parties at the amount of their original investment, if I desired so to do, and particularly, where, as I have stated, the other partners seemed to feel that they should be paid a reasonable compensation for their services to the company and should be entitled to some reasonable dividends in the meantime."

Is that a correct statement of the situation?

The WITNESS: Yes, sir.

Q. Mr. de Mille, you testified, I believe, that from 1922 to 1929 the taxpayer made 18 pictures; is that right?

A. I think that is correct. You said from——

Q. 1922 to 1929, inclusive.

A. It was 20, I think, to 1931 or 1932.

Q. 18 pictures within the period——

A. I think I have it right here. It is 20 to 1932 —you wanted the number from 1922, did you?

Q. No, I just asked you——

A. That is from 1920 to 1932.

Q. 18 pictures?

A. Yes.

(Testimony of Cecil B. de Mille.)

Q. Now, was each of those 18 pictures made under some one of the contracts in evidence in this proceeding?

A. Yes, sir. I am not certain whether the "King of Kings" is covered by that contract or not. There was a special financing contract in connection with the "King of Kings". [352]

Mr. MACKAY: I will state the "King of Kings" contract has not been introduced in evidence yet. I intended to do it and will introduce it later.

Mr. LEMING: In what year was the "King of Kings" made?

The WITNESS: 1926.

By Mr. LEMING:

Q. Who financed the making of the "King of Kings", Mr. de Mille?

A. A group of people in New York. The financing was procured by Frank Wilson.

Q. The two documents which you have before you and which have been offered in evidence by Petitioner's counsel, are they the documents or contracts under which that picture was made?

A. The situation here was that the Cinema Corporation had run out of money and they got outside financing and as to the contract they executed for that financing I am vague in my mind. I think probably I can answer the original question that they were all made by one of the contracts admitted.

Q. You mean the picture was made under one of the contracts already in evidence?

(Testimony of Cecil B. de Mille.)

A. Yes, I think these (indicating) merely cover financing by the New York group, I would say, I think you can get more competent testimony than mine on that, sir. To answer your first question I would say they were made under one of the contracts already exhibited and that these cover the financing of it and some percentages to come to us which were changed from the original contract by the additional financing required for the "King of Kings".

Q. Do you have before you all of the contracts relating to any special financing?

A. I have all that I know of, I did not make the contracts for the financing; that was done in New York by the distributors. [353]

Q. This taxpayer was not responsible for that financing?

A. No, sir, it was not responsible for it.

Q. Would you say, then, the "King of Kings" was made under the contract of November 23, 1920?

A. Is that with Cinema; is that the Cinema contract or the Pathe contract?

Q. That is Exhibit 6.

The MEMBER: That is the Lasky contract; the Pathe is Exhibit 10 and the Cinema is Exhibit 9.

The WITNESS: My recollection of that is it was made under the Cinema contract; that it was not made under the Pathe but under the Cinema contract and additional financing was necessary.

(Testimony of Cecil B. de Mille.)

That is as near as I can recall it. I am a little hazy on the details of the financing.

By Mr. LEMING:

Q. But in any event the financing of the picture was done by someone other than the taxpayer, is that correct?

A. Yes, sir.

Q. Now, coming back, then, Mr. de Mille, to the question I asked you (R. 370) just before the "King of Kings" matter came up, that question being this: Did taxpayer finance any one of the 18 pictures which you say were made from 1920 to 1932?

A. May I ask a definition of the word "finance"?

Q. Put up the money to make the picture.

A. Yes, I would say yes to that. If I have the correct meaning of what you mean by financing. We arranged with a distributor——

Q. To put up the money?

A. To deliver to us the money with which we made the pictures.

Q. Your thought about the term "financing" was you made an arrangement for [354] some one to put up the money; is that right?

A. That is not expressed, perhaps, in the way I would express it, but that is the gist of it. We made arrangements for some one to provide the cash with which we did the producing.

Q. In every case, then, of the 18 pictures, in each one of them, you made arrangements with someone else to put up the cash to produce the picture?

A. Yes, sir, that is correct.

(Testimony of Cecil B. de Mille.)

Q. Were any of those 18 pictures failures from a financial standpoint?

A. Yes.

Q. How many of them?

A. You mean by that, I presume, did they fail to get back their production cost.

Q. Well, I should think that would be it, yes.

A. May I refresh my memory on the gross of one picture?

(Discussion off the record.)

The WITNESS: There are three there that if you deduct the cost of distribution from them, I should say they would have shown a loss of some sort.

By Mr. LEMING:

Q. In what year were those particular ones made?

A. 1925, 1928 and 1930.

Q. Now, can you state from your data how many pictures were made from 1924 to 1925, inclusive?

A. From 1924 to 1929, inclusive.

Q. Confining it to those years.

A. Nine pictures.

Q. How many, then, were made subsequent to 1929?

A. Subsequent to 1929?

Q. Yes.

A. Five. [355]

Q. You testified on direct examination that you very nearly had to put up some money on the "Ten Commandments"; is that right?

(Testimony of Cecil B. de Mille.)

A. Yes, sir.

Q. You did not, did you?

A. Let me see. We paid the director of the picture——

Q. Who was the director?

A. I was.

Q. And who paid the director?

A. Cecil B. De Mille Productions.

Q. How much was paid the director?

A. I think $2500 a week.

Q. A week?

A. Yes, sir.

Q. For how long?

A. 13 weeks at $2500. I have the figures here. It was 13 weeks at $2500 and 39 weeks at $1500, $91,000 that year.

Q. Does your employment by this taxpayer, or did it at that particular time, call for a weekly salary in those amounts throughout the year?

A. Yes, sir.

Q. Now, when you say this taxpayer had to pay the director's salary in connection with the "Ten Commandments" for the period you have mentioned, what do you mean by that?

A. That I was directing the picture and that every Wednesday they handed me a check for $2500 for so doing.

Q. Who handed you that check?

A. The secretary of Cecil B. de Mille Productions, Inc. [356]

(Testimony of Cecil B. de Mille.)

Q. Well, Lasky Famous Players were financing that picture, were they not?

A. Yes, sir, Famous Players-Lasky were financing that picture.

Q. Did they pay this taxpayer anything?

A. No, sir.

Q. You say they did not?

A. No, sir, they did not.

Q. You mean this taxpayer did not get——

A. Or the taxpayer?

Q. Yes.

A. I misunderstood you. Did they pay them anything?

Q. Yes.

A. I do not know whether there is a legal twist to the word "paid"; they advanced 6500 a week against 30 per cent of the profits we were making.

Q. You mean at the same time this taxpayer was paying you $2500 a week, Lasky Famous Players was advancing to the taxpayer $6000 a week?

A. $6500, as I recall it.

Q. A week?

A. A week.

Q. Well, did this taxpayer pay for producing the "Ten Commandments"?

A. Did we pay for producing it?

Q. Who paid out the money for producing the "Ten Commandments"?

A. We made the arrangement with Famous Players they should finance all of our pictures, in-

(Testimony of Cecil B. de Mille.)

cluding the "Ten Commandments", during the life of the contract between the partnership and then the corporation, and Famous Players.

Q. What was the cost of the "Ten Commandments"?

A. $1,475,000.

Q. Who paid that?

A. It was advanced by the Famous Players-Lasky to the Cecil B. de Mille [357] Productions, Inc.

Q. By the way, Mr. de Mille, does your salary at any time go as a charge against the cost of any of these pictures.

A. No, sir, you cannot charge advanced profits as part of the negative cost.

Q. In the case of those pictures which failed to pay a profit, who sustained the capital loss?

A. In one instance, the Cinema Corporation of America, and in a second instance, which was "The Godless Girl", on account of the advent of sound, I believe Pathe, Inc.; the third in the case of Madam Satin, Metro-Goldwyn-Mayer. That is indeterminative yet. It is still being exhibited and it may perhaps wipe out this deficit. In each instance we had to guarantee our profit would be so much on a picture.

Q. And you received the guaranteed amount?

A. I think in every instance. I am not sure whether we got the full guaranteed amount from "The Godless Girl" or not.

(Testimony of Cecil B. de Mille.)

Q. Could you refresh your recollection on that?

A. The sound situation came in there—I can in one second.

(Discussion off the record.)

The WITNESS: I am willing to testify we re-received it.

By Mr. LEMING:

Q. So, in each instance you got your guaranteed profit?

A. We received the guaranteed profit, yes, sir.

Q. You testified on direct examination, Mr. de Mille, this taxpayer had agreed to guarantee the payment of certain salaries under the Cinema contract. Am I quoting you correctly there?

A. I do not remember. I am afraid I will have to be helped as to the direct examination. [358]

Q. Do you recall testifying to the fact that this taxpayer did, whether it was required to or not, guarantee the payment of some salaries under the Cinema contract?

A. Oh, I think I probably know what you allude to. I alluded to one or two instances when the pay check did not arrive from New York and Productions got the bank to pay the de Mille Pictures check, to see it went through the bank. De Mille Productions was responsible for the de Mille Pictures check pending the arrival of the Cinema check from New York to de Mille Pictures.

Q. When did this occur?

A. Do you want the year?

(Testimony of Cecil B. de Mille.)

Q. Yes.

A. I should say 1925.

Q. 1925?

A. Yes, sir.

Q. What was the particular amount you guaranteed payment on?

A. I do not recall what the payment was.

Q. Will you refresh your recollection? I understand your books are all here.

Mr. MACKAY: If your Honor please, the guarantee would hardly be in the books. I think it is an unfair question to ask this witness. He is still speaking of guarantees and the witness has said he does not know. I should think that would be sufficient.

By Mr. LEMING:

Q. What picture were you working on at that time?

A. I do not believe I was directing any picture at that time. I am not certain on that point. I was supervising and producing the entire production for the Cinema, which consisted of 22 pictures that year, during which time I only directed two. We produced 22 in 1920; it was some such large amount, a large number of pictures. [359]

Q. When you say "We produced 22 pictures", to whom do you refer?

A. I am speaking of the de Mille Productions operating, in the case of Cinema, through de Mille Pictures Corporation. I think that deal has been fully explained. We lifted the productions out and put it into de Mille Pictures.

(Testimony of Cecil B. de Mille.)

Q. In the case of these guarantees you are talking about, as I understand it, some weekly pay check was overdue and by reason of your guarantee the bank went ahead and made the disbursements for that week?

A. Yes.

Q. How often did that happen?

A. I think perhaps twice.

Q. Twice?

A. I think so. May I refresh my memory?

Q. Yes.

A. (Discussion off the record).

The WITNESS: It happened several times.

Mr. LEMING: I will have to move to strike the statement of any bystander; I think——

The MEMBER: I do not understand the bystander's statement went on the record. I understand Mr. de Mille is refreshing his recollection and he may now testify as to what his recollection tells him.

The WITNESS: As I say, three or four times.

By Mr. LEMING:

Q. All in what year?

A. Probably all in 1925. I do not give that as an absolutely positive statement, however.

Q. Who were those checks coming from which were overdue? [360]

A. The Cinema Corporation of America, or else the Motion Picture Capital Corporation, or some of the financial structures through which the banks were providing funds for the operation of these companies on the Coast.

(Testimony of Cecil B. de Mille.)

Q. There was no obligation on the taxpayer to make that guarantee, was there?

A. Yes, I should say so. I should say the entire standing of de Mille Productions, the good will of the whole organization, was at stake.

Q. Do you mean a moral obligation?

A. We regard it as being more than a moral obligation; it was a financial obligation.

Q. Was there a contractual obligation?

A. A moral obligation—I see what you mean.

Q. So there was no contractual obligation?

A. Not for us to pay it.

Q. Or to guarantee it?

A. With the exception of one or two of the players, the stars we took over from Famous Players, Rod Laroque, Leatrice Joy—the staff that we brought with us that way, the de Mille Productions staff, I presume, we were under obligation to pay.

Q. Were those particular persons you name involved in that payroll?

A. Yes.

Q. How much were those three or four payrolls?

A. They were quite a large amount.

Q. How much per week?

A. Can I refresh my memory?

Q. Yes.

(Discussion off the record) [361]

The WITNESS: I should say the smallest was $16,000 and the largest $80,000.

(Testimony of Cecil B. de Mille.)

By Mr. LEMING:

Q. And that occurred about three or four times?

A. Yes, sir.

Q. And in making that statement you are not sure that is the number of times?

A. No, sir.

Q. Do you think it possibly occurred only on two occasions?

A. No, I should be fairly sure it occurred on either three or four.

Q. Well, the Cinema people, or the persons who were sending the check to pay those weekly salaries, were legally obligated to pay them, were they not?

A. Yes, sir.

Q. When you spoke of an obligation on the part of the taxpayer to pay the salaries of certain persons, are those obligations set forth in some one of the contracts which have been offered in evidence on behalf of the petitioner?

A. I think in the contract of settlement of the separation between de Mille Productions and Famous Players-Lasky Corporation, it states we shall take with us these stars I have named, Rod LaRoque, Leatrice Joy, and so forth, and that staff, I presume—I presume that puts the obligations on us to pay their salaries. Famous Players assigned their contracts to us and we took over their contracts. That is my recollection.

Q. Whatever obligation there is, is it represented by some contract in evidence?

A. I would say the contract I have just named, I should think.

(Testimony of Cecil B. de Mille.)

Q. That is Exhibit 14, is it not?

Mr. MACKAY: Famous Players-Lasky is not it, is it?

The WITNESS: It is not. It is the contract of settlement.

The MEMBER: The termination contract is Exhibit No. 11.

Mr. LEMING: Let me see Exhibit No. 11, please. [362]

By Mr. LEMING:

Q. I call your attention to Petitioners' Exhibit No. 11 and ask you if that is the contract to which you refer?

A. No, sir.

Q. It is not?

A. No, sir.

Q. Will you describe again the contract under which—that is the contract with Pathe, but this contract of settlement is between Famous Players-Lasky and de Mille Productions.

A. I presume there is such a contract. It may be only data that I am recalling. That contract gives us the right of taking with us certain stars. We took those stars, which put the obligation of their salaries upon us.

Q. The obligation you are speaking about, is it in the document I now hand you?

A. No, sir.

Q. It is not?

A. No, sir. I hope, at least, that is a correct answer.

(Testimony of Cecil B. de Mille.)

Q. Would you say the contract is or is not in evidence, Mr. de Mille?

A. I should say the contract is in evidence; that it is implied; that it gives us the right to take certain salaried people with us when the contract is terminated. It was terminated and we took those with us and their salaries were paid by us, or we became responsible for their salaries. I presume they were paid by us.

Mr. LEMING: Mr. Clerk, may I have all of the exhibits which have reference to contracts?

(Discussion off the record) [363]

The WITNESS: There is no obligation expressed in the contract. The way I understand the question is did it call for us to pay money to someone?

By Mr. LEMING:

Q. Yes.

A. I should say it does not.

Q. So there was no contractual obligation on your part to pay anything to the actors you have mentioned?

A. What is the question?

Q. There was no contractual obligation on the taxpayer's part to pay money to the actors you have mentioned?

A. Not unless we exercised the option. This does not compel us; it gives us the right, and we exercised the right, and I presume, having exercised it, they—if we had not exercised it they would not have been working for us.

(Testimony of Cecil B. de Mille.)

The MEMBER: And whatever you paid them is reflected in your bookkeeping?

The WITNESS: I suppose so, in the expenses.

By Mr. LEMING:

Q. Mr. de Mille, did this taxpayer sustain a capital loss by reason of the coming of sound pictures?

Mr. MACKAY: If your Honor please, I do not want to interfere with the cross examination, but what might be a capital loss is something that I, having had eight years' experience, have difficulty in trying to find out.

The MEMBER: This witness has an understanding of the term, because he previously answered a question in connection with it. Let us see what he has to say.

The WITNESS: I will preface my remarks by saying if I understand what a capital loss is, we had a very material one, because everything we owned shrank in value overnight. [364]

By Mr. LEMING:

Q. What is your understanding of the capital loss in connection with your answer just made?

A. I wish you had not asked me that, but I should say the disappearance of values that we had.

Q. Values of what, Mr. de Mille?

A. Money and equipment; money, equipment, real estate, or whatever you own, I should think.

Q. How did it affect your money?

A. How did it affect money?

Q. Money that you had.

(Testimony of Cecil B. de Mille.)

A. It caused us to put out a lot of money we did not expect we would have to spend.

Q. Did I understand you to say you sold your silent equipment for $80,000?

A. Yes, sir, losing $20,000 on that particular deal.

Q. That was a capital loss?

A. It was one of them.

Q. Did the taxpayer take that loss on its income tax return?

A. The books would have to show that, I do not know.

Q. Specifically, then, what other losses of that sort did you have on account of the coming of sound?

A. First the loss on any profits from the picture we had just made——

Q. That is a loss of profits, is it not; a loss of an anticipated profit, you mean?

A. Yes, sir, it is the loss of an anticipated profit.

Q. And you had already received your guaranteed profit, I believe you said? [365]

A. We had not received it. The company was not in a financial position to pay it. They offered us 40 per cent of the last picture we had made, "The Godless Girl", until the amount of $200,000 should be reached, and we gambled with them, as I remember it, as to whether or not that amount would be reached through the sale of the picture, because of the very embarrassing position they found themselves in with a number of completed pictures in silent film and nothing but sound film salable.

(Testimony of Cecil B. de Mille.)

Q. I was inquiring whether I misunderstood you or not. I understood you to say you got your guaranteed profit in each instance?

A. Eventually, some years later. It worked out satisfactorily. The 40 per cent paid the amount.

Q. Now you said—and if I misquote you in trying to resurrect your direct testimony, correct me.

A. Yes.

Q. As I understood you, you said the taxpayer was obligated to buy some theatre stock?

A. Yes.

Q. Under what contract is that provided for?

A. It was never consummated. It consists of a verbal agreement. Mr. McCarthy and the attorney for the financiers and distributors in New York could not find a way of reducing the necessary obligation to writing in a way that was satisfactory to us, and consequently it was left in a verbal agreement that we would participate with them in the purchase of these theatre chains, they allotting certain amounts of stock to us from time to time in each deal they made, which they did and which we paid.

Q. There was, then, no written contract in that regard? [366]

A. That is correct.

Q. Do you remember the total extent of your investment in theatres, that amount?

A. $258,700.

Q. In what year was that?

(Testimony of Cecil B. de Mille.)

A. It was in different years from 1926 to 1929.

Q. Will you give us the years and the amounts by years?

A. Yes, sir. In 1926, $47,500; in 1927, $26,200; in 1929, $185,000.

Q. That accounts for the total?

A. Yes, sir.

Q. What was the investment in 1926 of $47,500?

A. Pardon me.

Q. In what did you invest the $47,500 in 1926?

A. The North American Theatres, the Golden State Theatres, the Bellingham Development in Washington and the Producers International——

Q. All of those were located in the Pacific Northwest?

A. No, sir, in different places. The North American, I think, is the chain I was trying to think of in Denver and the Middle West. The Golden State is in California. The Bellingham is in Washington and the Producers National covered some European activities of the company.

Q. Was that investment in the form of purchases of stock?

A. Yes. I think in every instance it was in the form of purchases of stock.

Q. How about 1927; was that in the form of purchases of stock or stocks?

A. 1926?

Q. I have just inquired as to 1926.

A. 1927?

Q. Yes, was that $26,200 invested in stocks? [367]

A. No, sir.

(Testimony of Cecil B. de Mille.)

Q. What was the form of the investment?

A. $6,200 in stock and $20,000 payment on a theatre, the purchase of that theatre.

Q. Was that an outright purchase of a theatre on your own account?

A. Yes.

Q. No other persons were interested in that particular theatre?

A. No, it was part of a chain to be turned in on one of the chains we were negotiating for.

Q. And the taxpayer purchased it outright and owned it as its own property?

A. Yes.

Q. Now, in 1929, what was the character of the investment there?

A. The Fox Theatres.

Q. Stock?

A. Fox.

Q. But, was it the stock of the Fox Theatres?

A. Yes.

Q. What is the particular title of the corporation?

A. Fox Theatre Corporation.

Q. You bought stock, did you?

A. Yes.

Q. What I wanted to get at is what was the particular name of the corporation, the name of the corporation you bought stock in?

A. Fox Theatres, Incorporated.

Q. That is the regular name under which it is known?

(Testimony of Cecil B. de Mille.)

A. Yes. [368]

Q. Now, how long did you own that particular stock?

A. Until I was nearly ruined getting rid of it. I should say a year or so. I can you give you the exact date if you would like to have it.

Q. You bought it in 1929?

A. Yes.

Q. How many shares?

A. I will have to be refreshed on that. Shall I?

Q. That is all right.

(Discussion off the record.)

The WITNESS: 5,000 shares. I remember the incident now. They tried very much to make me take 10. Mr. Mayer discussed with me at length the great good will the de Mille Productions should show for its distributor and the new amalgamation the distributor was making with Fox and he felt it incumbent upon us to buy 10,000 shares of this stock, but we were able to satisfy the distributor by buying 5,000.

By Mr. LEMING:

Q. He could not have made you buy a single share, could he?

A. He could not have made us?

Q. Yes.

A. No, he could not.

Q. You bought 5,000 shares of your own accord; is that right?

A. On our own accord, but not with our own desire.

(Testimony of Cecil B. de Mille.)

Q. No one could have made you buy it, could they?

A. No, sir.

Q. Did you buy it on the New York Stock Exchange?

A. We bought it—I believe they were dealing through Hutton; we bought it through Hutton & Company of Los Angeles. [369]

Q. Was that a listed stock?

A. Yes.

Q. Listed on the New York Stock Exchange?

A. I do not know whether it was on the Exchange or the curb.

Q. But it was on one or the other?

A. I am sure it was.

Q. Just what happened to that Ince Studio which was purchased, Mr. de Mille; where did it go from this taxpayer?

A. To the de Mille Pictures Corporation.

Q. And who got the stock of the deMille Pictures Corporation?

A. The Cinema Corporation of America.

Q. And what was the total amount of money paid on that studio by this taxpayer before those transactions took place you have just mentioned?

A. $50,000.

Q. It paid no more than that?

A. Not that I recall.

Q. I believe it has been testified here that eventually this taxpayer made somewhere in the neighborhood of $1,000,000 on the Cinema stock?

A. No, sir, that is not correct.

(Testimony of Cecil B. de Mille.)

Q. I wish to be corrected, then.

A. That is Pathe stock. I think the testimony with reference to that concerned Pathe stock.

Q. And Cinema stock, had it gone in the meantime into the Pathe Combination?

A. Yes.

Q. And you had acquired your stock by reason of owning stock in the Cinema Corporation?

A. I think so. [370]

Q. And then getting that far, is the statement about right——

A. When you say "you", I presume you are alluding to de Mille Productions?

Q. I am speaking of the taxpayer.

A. Yes.

Q. There was, then, a profit of how much, if you can state approximately, or if you wish, you may refresh your recollection as to the total amount.

A. I will have to ask the auditor.

Mr. MACKAY: We have agreed upon a profit, Mr. Leming, Mr. Collins and I.

By Mr. LEMING:

Q. May we have the correct profit?

A. My answer to that would be around $800,000. How near correct that is, I am not sure.

Q. I have—I think the figure was $834,000.

Mr. MACKAY: It is all shown here. Every transaction the company ever had is reflected in Exhibit No. 2.

Mr. LEMING: All right, thank you; that is good.

(Testimony of Cecil B. de Mille.)

By Mr. LEMING.

Q. Now, you spoke on direct examination of a picture, of an Al Jolson picture which grossed nearly $3,000,000?

A. That was my understanding. I had no contact with that picture at all. That is what rumor has it.

Q. You had nothing to do with it?

A. No, sir.

Q. And when I say "you", I mean the taxpayer?

A. The same answer.

Q. You know nothing of what it did actually gross?

A. No, sir, except the statement of the Vice President of the company. [371] But that was made in a general meeting of the Producers Association and he may have been making it just to impress the other producers.

Mr. LEMING: May I see Exhibit 7, please?

By Mr. LEMING:

Q. Now Mr. de Mille, on direct examination I understood you to say that certain contracts with Lasky Famous Players were subject to cancellation on sixty days' notice; is that a correct summary of what you might have said?

A. Yes, sir. I do not recall whether it was 30 or 60 days.

Q. Whatever the terms of the contracts were, are the periods of termination all set forth in them?

A. Yes, sir.

(Testimony of Cecil B. de Mille.)

Q. So that each contract would be determined according to its own provisions?

A. Yes, sir.

Q. How long has Mr. Fisher been with the taxpayer, Mr. de Mille?

A. He is not with us now, sir.

Q. How long was he with it; in what years?

A. From its formation to 1925—whether it was in the spring of 1926 that he left, I do not know, but it was thereabouts.

Mr. MACKAY: I think the record shows that.

Mr. LEMING: I remember the date he terminated his service. I was trying to get at his original employment date.

The WITNESS: 1926.

By Mr. LEMING:

Q. That was the date of his separation?

A. If the document states 1926, it is so.

Q. That was the time he left the taxpayer, but he had been with it how long prior to that? [372]

A. From the formation of the partnership.

Q. Excuse me; I remember now you testified to that; that is right.

Mr. LEMING: May I have the minutes of the meeting which declared or authorized a stock dividend of $400,000 in 1928?

The MEMBER: Hand him the exhibit, Mr. Clerk.

Mr. MACKAY: Is that not in evidence?

Mr. LEMING: No, it is not.

Mr. MACKAY: What is it?

(Testimony of Cecil B. de Mille.)

Mr. LEMING: The stock dividend of 1928, the minutes authorizing that stock dividend.

Mr. MACKAY: I thought it was in evidence. Mr. Leming.

The WITNESS: I know those minutes. If you care to ask the question, I can answer.

By Mr. LEMING:

Q. You started to say something, Mr. de Mille. Do you wish to say something about this particular set of minutes?

A. Not if you have them, no, sir.

Q. These are minutes counsel has shown me as of October 3, 1927. I am going to ask you to look at the minutes, Mr. de Mille, and see if you were present at the time that stock dividend was declared, October 3, 1927?

A. My recollection is that I was, I think I signed the minutes.

Mr. LEMING: I offer these in evidence for the purpose of showing a stock dividend. They are the minutes of October 3, 1927. I ask that leave be granted to substitute a copy instead of the original.

Mr. MACKAY: There is no objection.

The MEMBER: It will be received as Respondent's Exhibit I.

(The document referred to was received in evidence and marked "Respondent's Exhibit I", and made a part of this record.) [373]

Mr. LEMING: Now, counsel has kindly stated that he will stipulate that of the authorized $800,000 increase of capital stock, $400,000 was actually issued——

(Testimony of Cecil B. de Mille.)

Mr. MACKAY: Those minutes just introduced in evidence contain a resolution authorizing an increase in the capital stock up to $1,500,000, and there was $400,000 total par value originally issued. A $400,000 stock dividend was then declared, bringing the total issued stock up to $800,000 total par value.

Mr. LEMING: That is reflected in Exhibit No. 2, for the year 1928?

Mr. MACKAY: Yes, it is all there.

Mr. LEMING: Now, Mr. de Mille, there has been some testimony here about who owned the stock of the corporation from the time of its inception down through the year 1929. Will you just state to the Court who the actual owners were of the capital stock in each of the years, 1924 to 1929, inclusive?

The WITNESS: I would have to have a list of the stockholders in order to answer your question.

Mr. LEMING. May he be supplied with that?

The MEMBER: In other words, your answer is the true owners of the stock were those in whose names the stock was issued?

The WITNESS: Yes. Mr. Fisher made the statement he did not feel so; our opinions differ on that point. I thought he was——

The MEMBER: The record contains a list of the record stock owners for those years, I believe.

By Mr. LEMING:

Q. Which one of those stockholders was your daughter, Mr. de Mille.

A. Mrs. Calvin.

(Testimony of Cecil B. de Mille.)

Q. And she has been known by that name each time the stock has stood in her name? [374]

A. Some of the stock may have been issued to her before she was married, in which case it would have been under the name of Cecilia de Mille. I do not remember just when it was issued, but I think it was on either her 18th or her 21st birthday, I do not remember which one, that she was given a block of stock by me.

Q. Now, in the case of Mrs. Adams and Mr. McCarthy, you purchased their shares of stock?

A. Yes, sir.

Q. And that occurred in the years 1924, in the case of Mr. McCarthy and 1926, in the case of Mrs. Adams?

A. Whenever the record shows. I do not remember the date.

Q. And those two, Mr. McCarthy and Mrs. Adams were the ones as to which you had taken an option in 1920, were they not?

A. Yes, sir.

Q. And in acquiring the stock you acquired it under those options, did you not?

A. The options were on an interest in the partnership and I presume those were made to carry over to the stock. I do not know whether they would be so considered or not, but I think Mr. McCarthy has said he considers that his did; what the legal status of that is, I do not know. We have a good deal of confidence in each other, and the other partners had a good deal of confidence in the

(Testimony of Cecil B. de Mille.)

fact that I would deal fairly with them financially. They knew I had no intention of beating them out of any money on that deal. They knew if there was a profit they would get it, and they got a very good profit and had a living out of it ever since, and that was 12 or 13 years ago.

Q. It is my recollection now the agreement under which they sold the stock to you, that those agreements are in evidence. I had overlooked that. [375]

A. I do not know whether the legal side of whether the option from the partnership carried over to the stock, whether that is so or not. The only agreements that there are are in evidence.

Q. Mr. de Mille, it has been testified that certain property known as the Laughlin property, on which a residence was situated and in which you lived, was transferred by you to the corporation in satisfaction of an indebtedness of yours to the corporation; is that correct?

A. Whether it was in entire satisfaction of the obligation, I do not remember. There was a mortgage on the property at the time.

Q. Was it in entire satisfaction of your indetbedness to the corporation?

A. I think it was, and something over.

Q. When did that indebtedness arise, Mr. de Mille?

A. I would have to be coached again from the books, I am afraid. If that was the $90,000 which I borrowed at one time—I would have to ask the auditor, if I may. Shall I ascertain what it was?

Mr. LEMING: Pardon me a minute.

(Discussion off the record).

(Testimony of Cecil B. de Mille.)

Mr. MACKAY: The petitioners' exhibit, being an application to the corporation commission to issue stock shows that certain assets were acquired by the corporation in exchange for stock and that among those assets was an item of loans receivable totaling $145,578.45. Those loans receivable, the portion represented by notes, totaling $138,961.62, of that portion, $110,013.33 is represented by the note of Cecil B. de Mille. The loans not represented by notes total $5,468.92, and there is an amount of interest due on notes of $817.03. The total of the notes and the loans and the interest that I have read total $145,247.57. After the corporation was organized there was an audit made [376] and it was found there was a discrepancy between the amount shown in the application to issue stock, which showed a total of $145,578.45, whereas the original audited amount was $145,247.57.

Mr. LEMING: That is agreed to as a fact.

(Discussion off the record.)

By Mr. LEMING.

Q. Mr. de Mille, under these contracts I have observed a provision in some of them, possibly in all of them, that accountings are to be made in respect of the——

A. Accountings?

Q. Yes. At identical periods in respect of the cost of the production of one of these pictures, and subsequent accountings——

A. To whom, sir; do you mean to the other party in the contract? I am trying to understand the question.

(Testimony of Cecil B. de Mille.)

Q. As I recall the contracts, they provide for an accounting?

A. Yes, sir.

Q. I wanted to get at this point: Did you receive a copy of any of those accountings periodically to you as—and when I say you I mean the petitioner?

A. The corporation. You mean on the settlement of royalties did we receive an accounting showing the gross?

Q. An accounting during the time of producing the picture, when it was being made, and then at periodical times as royalties were received?

A. Yes, we received an accounting.

Q. At periodical times?

A. I presume so.

Q. Showing the cost of the making of the picture?

A. Yes, sir. [377]

Q. And a statement of royalties?

A. Yes, sir.

Q. Are those periodical accountings in the court room now?

Mr. MACKAY: Mr. Leming, I do not think we have those. We gave full figures and an accounting of all the expenditures—I think Mr. Fisher covered that; he said that he went into the costs very carefully.

Mr. LEMING: That is different, Mr. Mackay, from the accountings we have in mind here. [378]

At this point counsel for petitioner offered and

(Testimony of Cecil B. de Mille.)

there was received in evidence, without objection, a statement analyzing the royalty account produced by Cecil B. deMille Productions, Inc., marked Petitioner's Exhibit No. 16.

The following proceedings then occurred:

Mr. MACKAY: I should like to offer at this time as a part of Exhibit No. 2, or, as Exhibit 2-B-1 —that will clarify, if your Honor please, some of the figures contained in Exhibit B of Petitioner's Exhibit 2.

Mr. LEMING: No objection.

The MEMBER: It may be so received. Can we detach that and take it as a part of Exhibit 2?

Mr. MACKAY: That would make it simpler.

It will be detached and made a part of Exhibit No. 2.

Mr. MACKAY: Your Honor, at this time I also offer amendments to petition for the Productions Company, as well as to the Cecil B. deMille petition. I understand counsel has no objection to those amendments. The amendments relating to the Productions refer to the constitutional question. I am raising an additional constitution question with respect to Section 220 and Section 104.

Mr. LEMING: I have no objection, but would like to enter a denial to any allegation of fact that may be contained therein.

The MEMBER: Do you wish to state your amendment or put it in writing and file it?

Mr. MACKAY: They are in writing.

The MEMBER: Since there is no objection to the amendments to the petition, they may be re-

(Testimony of Cecil B. de Mille.)

ceived and taken into the record, and let the record show a general denial on the part of the respondent, both as to statements [379] of law and statements of fact contained in the amendments.

Mr. LEMING: There is no issue before the Board in the case of the corporation except the 220 issue.

The MEMBER: Is that correct?

Mr. MACKAY: That is correct.

The MEMBER: Very well.

At this point the respondent offered and there were received in evidence as Respondent's Exhibit "J", without objection, the individual Federal income tax returns of the witness Cecil B. de Mille for 1920 to 1923, inclusive.

Upon redirect examination the witness (Cecil B. de Mille) continuing testified as follows:

By Mr. MACKAY:

Q. Mr. de Mille, I think on cross examination yesterday Mr. Leming asked you if the salary that had been paid by Cecil B. de Mille Productions, Inc., to you and Mrs. de Mille was obtained from Famous Players-Lasky or from some of the other financing organizations you have enumerated. Have you any explanation to make with respect to that testimony?

A. Yes. I believe I answered that it was. To be accurate, I should correct the answer to say that that money derived from advances from Famous Players-Lasky went into the general account of the Cecil B. de Mille Productions, Inc., along with the returns from real estate, stocks, bonds, and other ventures, particularly flying, and our checks were

(Testimony of Cecil B. de Mille.)

paid from the general funds of the de Mille Productions.

Q. Mr. de Mille, yesterday you were shown Respondent's Exhibit E, and that portion thereof which is the return of the partnership for the year 1921. I believe you were asked to point out if any of the staff, so-called staff, [380] received a compensation from the partnership. I notice on the back of this return, under salaries, Cecil B. de Mille, Constance A. de Mille, Ella King Adams, Jeanie Macpherson, John H. Fisher, J. F. Dawson, and Gladys Rosson. Did I understand you to testify a little while back that Jeanie Macpherson was a member of the staff?

A. Yes, sir, She was a scenario writer.

Q. What was Mr. Dawson's capacity?

A. Auditor.

Q. Now, Mr. de Mille, did Cecil B. de Mille Productions, Inc., when it operated in the studios of other concerns under this financing arrangement, did it maintain a kitchen and separate offices?

A. Yes, sir.

Q. In all the studios that it worked, did it do that?

A. Yes, sir.

Q. And the kitchen, the maintenance of the kitchen, the kitchen expenses were incurred by the Cecil B. de Mille Productions, Inc., were they not?

A. Yes, sir, that is customary in all studios.

Q. Was a separate office constructed for the Productions staff at the Metro-Goldwyn-Mayer studio?

(Testimony of Cecil B. de Mille.)

A. Yes, sir, separate office and separate film vaults and separate suites of offices for its writers, and so forth.

Q. I will ask you why Cecil B. de Mille Productions, Inc., did not take back the Ince Studio upon the termination of the Pathe contract?

A. Because the Ince Studio had almost overnight become valueless on account of the development of sound. Every studio has to be completely [381] rebuilt after the development of sound. All of the stages were useless or valueless; all of the lighting equipment was valueless. The lights that were used for the silent pictures were called Kleig lights and they made a humming noise, which made them valueless for sound pictures or sound cameras. We had a large group of wind machines, which are used a great deal in pictures, silent pictures, and those wind machines, we still have some of them we are unable to sell because they were all powered by Liberty motors, and, of course, when sound came in, you could not have a gentle breeze blowing over the daisies with the roar of a Liberty motor going.

Q. You were asked to some extent about your residence. Will you please state whether or not you paid a rent for the residence you occupy?

A. Yes, sir, we do.

Q. To whom?

A. Cecil B. de Mille Productions.

Mr. MACKAY: It may not appear from our stipulation, Mr. Leming, but the stipulation I will file now with respect to certain deductions is based

(Testimony of Cecil B. de Mille.)

upon a reasonable rental Mr. de Mille pays for the residential property. I just want to make sure that is a part of the record.

Mr. LEMING: The stipulation shows the amount of deduction which is allowed, as I recall, the amount of income as rental.

Mr. MACKAY: I think it amounts to about $500 a month.

By Mr. MACKAY:

Q. Now, Mr. de Mille, at the time you organized the corporation, did you transfer all of your personal property to the corporation?

A. No, sir. [382]

Q. Has the corporation, since its organization—have you, since the organization of the corporation, owned property other than stock in your corporation?

A. Yes, sir, considerable.

Q. Will you tell the Court, over the period of years involved here, how much property you have had in your own name and what it consisted of, largely?

A. If I may refresh my memory, I can make it accurate. Do you want from 1921?

Q. 1923 would be sufficient.

A. To what year?

Q. To 1929.

A. 1923, notes and loans, $79,308.05; stocks and investments, $265,386.65; real estate, $79,094.91; special ventures, $27,358.03. In 1924, those amounts had increased by $75,000. Do you want the detail in each one?

(Testimony of Cecil B. de Mille.)

Q. That is all right.

A. Notes and loans, in 1924, $75,217.34; stocks and investments, $205,314.39; real estate, $220,-632.59; special ventures, the same amount, $27,358.03. In 1925——

Q. Will you give the total for that year? [383]

A. The total was $628,522.35. That is for 1924.

Q. All right, in 1925?

A. In 1925 do you wish the gross or the details?

Q. The detail entries.

A. Notes and loans, $45,980.36; stocks and investments, $254,825.64; real estate, $175,198.66; special ventures, $28,108.03. The total amount for 1925 is $502,730.69. In 1926, notes and loans, $34,678.32; stocks and investments, $273,304.44; real estate, $218,937.44; special ventures, $25,608.03; total, $552,-228.23. 1927, notes and loans, $31,601.50; real estate, $175,272.48; stocks and bonds, $281,739.46; special ventures, $3,958.56; total, $492,599. 1928, notes and loans, $70,679.17; real estate, $185,299.85; stocks and bonds, $305,135.11; special ventures, $4,308.10; total, $565,422.23. In 1929, notes and loans, $166,115.76; real estate, 142,475.36; stocks and bonds, $294,912.79; [384] special ventures, $5,644.92; total, $619,148.83. Do you want 1930, also?

Q. I think that is sufficient. Mr. de Mille, did this corporation, the Cecil B. de Mille Productions, Inc., carry on ranching and farming business?

A. Yes, sir.

Q. It also had city properties?

A. Yes, sir.

(Testimony of Cecil B. de Mille.)

Q. Both business properties and residential properties?

A. Yes, sir.

Q. They were not all income producing properties, were they?

A. Not all of them, but a majority of them were. Many of them showed losses and many showed profits.

Q. I will ask you if the undistributed earnings of the corporation—I will withdraw that. I will ask you if you took into consideration when you discussed the undistributed earnings of the corporation, the financial needs for the purpose of carrying on your real estate business?

A. Yes, sir, the reason we put mortgages on most of the large buildings was we did not dare reduce our surplus because we did not know when we were going to need it for pictures and development. Many of our business properties are very heavily mortgaged. The large buildings that we carry were heavily mortgaged and are a great responsibility. We stand a grave chance of losing them through lack of surplus to pay for them. [385]

Mr. LEMING: If your honor please, I think I shall have to move to strike that last part of the answer. It is not competent evidence in the absence of the particular evidence in respect of those mortgages. This grave chance of losing something thrown in in that fashion is prejudicial and is not based on anything in the record.

The MEMBER: What sort of particular evidence as to the mortgages do you want, Mr. Leming?

(Testimony of Cecil B. de Mille.)

Mr. LEMING: I would like to amend the objection to this extent: In the first place, that is a conclusion which must be arrived at from the facts, whatever the facts are. The mortgages, so far as I know, are not in evidence.

The MEMBER: I take it the amount of them is contained in the balance sheet?

Mr. MACKAY: I am quite sure there is a detailed analysis, also. That is all in there, your Honor, yes.

Mr. LEMING: This says, "mortgages", but I do not know what is applies to.

The MEMBER: This witness has expressed an opinion.

Mr. LEMING: Yes. I move to strike the opinion because it is wholly a conclusion which is one for the Board to determine, if it is necessary to be determined at all.

The MEMBER: I think he is competent to give it. Perhaps it will not have any weight, but I think he can give the opinion.

Mr. LEMING: I will withdraw my motion to strike. I do not think it is material, if your Honor please. [386]

By Mr. MACKAY:

Q. Mr. de Mille, yesterday I asked you about the value with respect to real estate and I then confined my questions to the year 1931. I now find that Exhibit No. 3, petitioners' Exhibit No. 3, takes into consideration the year 1932. I will ask you if your opinion as to the value of real estate that you gave

(Testimony of Cecil B. de Mille.)

yesterday in respect to 1931 would be the same you would attach to the year 1932?

A. Well, I should say it was perhaps a little bit lower in 1932. It was impossible to sell property at almost any price at that time. We had to take back properties from mortgagees and trustees that people were unable to pay for and we have not been able to sell one out of a million dollars worth of property. That is in round figures, of course.

Q. I notice from Exhibit 3, I think it is, the comparative balance sheet for the year 1932, that that shows a book surplus of $960,000.

A. What year?

Q. 1932.

A. Yes.

Q. That shows a book surplus at that time?

A. Yes, sir.

Q. I will ask you if, in your opinion, that represents a real surplus of the corporation at the end of the year 1932?

Mr. LEMING: If your Honor please, objection is made to that question because all of the detail is set forth in this exhibit. What the real surplus is may be determined by anyone from an examination of this exhibit, which the taxpayer has put in evidence.

The MEMBER: The objection is well taken, is it not, Mr. Mackay? [387]

Mr. MACKAY: I rather think perhaps it is, your Honor. I think the testimony of Mr. de Mille has covered that situation.

The MEMBER: It is sustained.

(Testimony of Cecil B. de Mille.)

By Mr. MACKAY:

Q. Mr. de Mille, I think yesterday you identified the "King of Kings" contract—

Mr. MACKAY: Have you any objection to putting it in, Mr. Leming; I think you examined it yesterday?

Mr. LEMING: Would you mind stating for what purpose? I am not familiar with it and do not know what bearing it has on the situation.

Mr. MACKAY: It has this bearing, if your Honor please; Mr. de Mille testified yesterday that the "King of Kings" was made under the Cinema contract and it was necessary to get additional financing. There was some modification made with respect to the royalties derived under it. I think it is a necessary part of the case.

Mr. LEMING: May I make this inquiry? The witness has testified that the taxpayer here, the Cecil B. de Mille Productions, Inc., did not put up the money to make these pictures. If that is not at variance with his testimony in that regard, I have no objection.

The MEMBER: I understand this explains where the money came from.

Mr. MACKAY: And the necessity for getting it.

The MEMBER: Then, let us have it.

Mr. LEMING: All right.

Mr. MACKAY: There are two contracts.

The MEMBER: Do they both relate to the same matter?

Mr. MACKAY: Yes, sir.

(Testimony of Cecil B. de Mille.)

The MEMBER: Let them be attached and received as Exhibit No. 17. [388]

(The contracts referred to were received in evidence and marked "Petitioners' Exhibit No. 17", and made a part of this record.)

The WITNESS: Is it permissible for the witness to ask a question?

By Mr. MACKAY:

Q. Yes.

A. Mr. Leming stated that I made the statement that this corporation did not put up any of the money for any of these pictures. Was that my statement? If so, it is incorrect.

Q. Have you any explanation to make?

A. Yes. The corporation, as I think I stated yesterday, paid one of the largest salaries in connection with it, the salary of the director.

Mr. LEMING: Whose salary?

The WITNESS: Of the director, and all of the staff who were making the picture.

Mr. LEMING: You were the director?

The WITNESS: Yes.

The MEMBER: That clearly appears from the record. It is all repetition.

Mr. MACKAY: That is all, you may take the witness, Mr. Leming.

Recross Examination.

By Mr. LEMING:

Q. Mr. de Mille, you have the detail of your stocks and bonds and investments in these years from 1923 to 1929, inclusive?

A. Yes, sir.

(Testimony of Cecil B. de Mille.)

Q. Will you let us have it, please? [389]

A. Whether it is segregated or not, I do not know, but it is in the court room.

Mr. LEMING: Will the witness take this and name the stocks and bonds?

Mr. MACKAY: Shall I read it?

Mr. LEMING: I am quite agreeable to saving all of the time we can. You may read it if you like.

The MEMBER: How many pages have you—it is a whole page of figures for one year. Suppose we have it copied and put in.

Mr. MACKAY: We will have a copy made for each of the years.

Mr. LEMING: Have you each of the years?

Mr. MACKAY: We will give it to the Court.

Whereupon

CONSTANCE A. de MILLE,

being called as a witness by and on behalf of the petitioners, and after having been first duly sworn, testified as follows on direct examination:

By Mr. MACKAY:

Q. Mrs. de Mille, I think it has already been shown on the record that you were connected with the Cecil B. de Mille Productions, Inc., and that you are the wife of Cecil B. de Mille. You occupy the position of Vice President of the company, do you not?

A. I do.

Q. And you have since its incorporation?

A. I have.

(Testimony of Cecil B. de Mille.)

(Testimony of Constance A. de Mille.)

Q. Mrs. de Mille, did you have charge of real estate operations of the company?

A. I had a great deal to do with the real estate operations. [390]

Q. In a general way, can you tell the Court just what real estate properties the corporation had during these years 1924 to 1929?

A. The corporation?

Q. Yes.

A. The corporation owned between nine and ten acres in a tract known as Laughlin Park, which had been bought at different times, and when the corporation bought these properties they were subdivided and turned into a building tract. I superintended the surveying and the subdividing and making of the maps. Of those lots, ten lots have been sold in that subdivision, four remaining.

Q. That is a rather exclusive subdivision, is it not?

A. A very high class subdivision.

Q. Did you not also construct some improvements there, the corporation, I mean?

A. The corporation lent money; it advanced money on improvements that were constructed on the property.

Q. Do you know approximately how much money has been made out of the sale of lots in Laughlin Park?

A. About $125,000.

Q. Now, what other properties did the corporation have, just in a general way; I do not want every specific piece of property.

No. 8144

United States
Circuit Court of Appeals

For the Ninth Circuit.

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

vs.

CECIL B. deMILLE PRODUCTIONS, INC.,
Respondent.

Transcript of the Record

In Three Volumes

VOLUME II

Pages 463 to 938

Upon Petition to Review an Order of the United States Board of Tax Appeals.

FILED
JUL 11 1936
PAUL P. O'BRIEN,

Parker Printing Co., 545 Sansome Street, San Francisco 60—6-30-36

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Parker Printing Co., 545 Sansome Street, San Francisco 60—6-30-36

(Testimony of Constance A. de Mille.)

A. The corporation owned a piece of property on Vermont and West Avenues, upon which a market was erected, which has been continuously leased since its erection;

It owned a piece of property on Western Avenue, on which a large building was built for a ball room, a school of dancing, with stores below: [391]

It owned a piece of property on Hollywood Boulevard, upon which a building was erected with stores below and a gymnasium above, and the gymnasium was afterward changed to an artist's studio, or studios;

It owned a piece of property on San Fernando Boulevard, a large tract which was bought at a time when there was great real estate activity in Southern California. That piece of property was afterward turned into a syndicate as a real estate subdivision;

It owned a piece of property on Highland Avenue, which was stores and offices above;

Pieces of property on Sunset Boulevard, near Wilcox;

A piece of property on Vine Street, upon which an auto park operates.

Q. Did it also own ranch properties?

A. About 650 acres of ranch land, comprising orange groves at one time, farms for raising fancy birds, turkey and chicken farms.

Q. You mean the corporation carried on the business of raising fancy birds?

(Testimony of Constance A. de Mille.)

A. There were different activities on these ranches. I was closely connected with all those activities and I am still.

Q. Do you supervise the citrus groves?

A. I do. I have been in close connection with the citrus groves and the development of water on the property and the general supervision of those ranches.

Q. The development of water is a rather expensive matter on a ranch of that size in California, is it not?

A. It is a rather expensive matter. Certain suggested plans have not been followed as too expensive, but an adequate water supply has been developed for the orange groves. [392]

Q. Well, outside of the citrus growing—will you state if you have any other ranches or farms on which you have produce growing?

A. In Southern California?

Q. In Southern California?

A. No, I do not think so. We have some walnut trees.

Q. And has it been one of your duties to supervise the operation of these ranches and all of the real estate properties of the corporation?

A. Yes.

Q. Now Mrs. deMille, did you and Mr. deMille ever have any understanding between yourself with respect to the income that you would derive from salaries, wages, or anything in the nature of compensation for services, earnings?

(Testimony of Constance A. de Mille.)

A. We have always had that understanding. I was an actress before I was married and had my own salary. I remained upon the stage after my marriage. There was never any suggestion of my salary in any way belonging to Mr. deMille. It was always separate. When Productions was formed, I assumed the office of Vice President and all of my salary which was paid to me was always handled entirely by me. I bought two automobiles myself and hired my own chauffeur. Mr. deMille provided his own cars and hired his own chauffeurs. Mr. deMille and I divided the expenses, he maintaining the summer ranch property, not the one I speak of, but one that belonged to the family; it might be called the summer home. I paid some of the expense of maintenance of the home in Los Angeles.

Q. Did Mr. deMille also give you a check for personal operations every month.

A. Mr. deMille always gave me a check the first of every month to contribute toward——

Q. Running expenses of the home?

A. Maintenance of the home.

Q. Did you have a definite agreement about the salary being your own separate property, belonging to you, so that Mr. deMille would have no control or dominion over it?

A. We always had that understanding, but I remember being in New [393] York one Christmas, I think it was 1923, in which we again stipulated and re-expressed that understanding, that our salaries were entirely separate and that our financial affairs were individual.

(Testimony of Constance A. de Mille.)

Q. You have always had substantial properties in your own name, have you not, Mrs. deMille?

A. I always have.

Q. And you owned, as I understand, some of the stock in the Jesse Lasky Company?

A. The Jesse Lasky Feature Play Company.

Q. Mrs. deMille, did you have anything to do as Vice President of Cecil B. deMille Productions, Inc., with respect to negotiations for contracts or obtaining finances for the purpose of making pictures?

A. I had a great deal to do with the formation of every contract. I was present at all times during the negotiations of different contracts.

Q. Your advice was sought and heeded, was it?

A. It was.

Q. In all these matters?

A. In all these matters.

Q. You were familiar also with the terms of the contracts?

A. With all of the terms of the contracts and I was present when they were being discussed and had a voice in the discussion.

Q. And of course you participated all of the time in the negotiation for these contracts, as Vice President of the company?

A. I did.

Q. You heard Mr. deMille testify with respect to your activities in connection with the company, particularly those activities relating to the obtaining of finances and also the production of pictures; I will ask you what he said was true?

A. It was. [394]

The foregoing evidence is all of the material evidence adduced at the hearing before the Board of Tax Appeals, and the same is approved by the undersigned, Herman Oliphant, General Counsel for the Department of the Treasury, as attorney for the Commissioner of Internal Revenue.

(Signed) HERMAN OLIPHANT,
General Counsel for the
Department of the Treasury.

The foregoing evidence is all of the material evidence adduced at the hearing before the Board of Tax Appeals, and the same is approved by the undersigned, as attorney for the respondent on review.

(Sgd) A. CALDER MACKAY.

The foregoing is all of the material evidence adduced at the hearing and is duly approved and settled this 21st day of February, 1936.

(Sgd) J. RUSSELL LEECH,
Member, United States Board
of Tax Appeals.

[Endorsed]: Lodged, Jan. 15, 1936. Filed, Feb. 21, 1936. [395]

RESPONDENT'S EXHIBIT A.

[Endorsed]: Admitted in evidence Dec. 14, 1933.

THIS AGREEMENT, made and entered into this 16th day of August, 1920, by and between CECIL B. DE MILLE, CONSTANCE A. DE MILLE, ELLA KING ADAMS and NEIL S. McCARTHY, all of Los Angeles, California,

WITNESSETH:

That said parties do hereby agree that they shall hereby become partners in business for the purposes and upon the terms hereinafter stated.

(1) The firm name of the partnership shall be—

CECIL B. deMILLE PRODUCTIONS.

(2) The principal place where the business of the partnership is to be transacted is at Los Angeles, California. Business may be transacted at such other places as may be decided from time to time by the partnership. The said partnership shall continue until dissolved by the vote of a majority in interest of the partners.

(3) The capital of said partnership shall be the sum of Twenty-Five Thousand Dollars ($25,000), which said sum of $25,000 has been contributed as follows:

Cecil B. de Mille has contributed			$11,250.00
Constance A. de Mille has	"		6,250.00
Ella King Adams	"	"	5,000.00
Neil S. McCarthy	"	"	2,500.00
			$25,000.00

(4) That the purpose of the partnership shall be to manufacture, produce, exhibit, sell, release, rent, and in any and every way make and dispose of motion pictures of any and every kind and nature, and to do any and all things necessary or incidental thereto.

To buy and sell, and to lease, rent or otherwise obtain the use of real estate, buildings, motion picture studios, and any and all things now or hereafter necessary or incidental to the complete equipment and operation thereof, including the right to manufacture, purchase, rent, or otherwise obtain the use of books, stories, novels or other compositions, and of furniture, furnishings, art goods, gowns, costumes, properties, and any and all articles of any and every kind and nature heretofore, now, or which may be hereafter in any way necessary or incidental to the manufacture or production of motion pictures.

To enter into contracts with firms or individuals for the rendering or performance of the services of such firms or individuals, to or for the partnership, for such period of time, and under such terms and conditions as may be, from time to time, agreed upon. [396]

To buy, sell and deal generally in land, bonds, securities, and investments of any and every kind and nature, and to invest its surplus funds which it may desire to accumulate, in such manner as may be decided upon by the partners from time to time.

To do any and all things which any of the individual members of the partnership might do or perform, not inconsistent with established law.

(5) The partners shall share in the profits and losses of said business, and shall own such share in the partnership business, as the amount of their repective contributions of capital bears to the total capital of $25,000; that is,

Cecil B. de Mille owns a 45% interest therein;
Constance A. de Mille owns a 25% " " ;
Ella King Adams owns a 20% " " ;
Neil S. McCarthy owns a 10% " " ;

(6) Cecil B. de Mille shall enter into a contract with said partnership for the rendering of his exclusive services as a Director of Motion pictures, to and for said partnership; Constance A. de Mille shall act as chief executive officer of said partnership, and shall have general superintendence of the operations of said partnership, and shall perform such duties as shall be required properly of that office; Ella King Adams shall render her services in doing research work and as a reader and writer of stories and scenarios for the partnership; Neil S. McCarthy shall act as attorney for, and as Secretary of, the partnership, and shall do and perform such other duties as may be delegated to him from time to time. Each of the said partners shall devote his or her utmost endeavors to promote the interests of the partnership.

(7) Books of account of the transactions of the Partnership shall be kept at the place of business,

and shall be at all times open to inspection by any partner. Each partner shall cause to be entered upon said books a just and true account of all his dealings, receipts and expenditures for or on account of said firm. In the month of August of each year, and at such other times as shall be ordered by the parties owning a majority in interest of the partnership, a complete audit of the books of the partnership shall be made, and an accounting between the partners shall be had.

(8) The compensation to be paid to each of the partners and other employees of the partnership, shall be such as shall be agreed upon from time to time. None of said partners shall, without the consent of the others, make any contract on behalf of or binding upon the partnership, involving more than Five Hundred Dollars ($500.00), or shall use the firm's name, credit or property for other than partnership purposes, or knowingly do any act by which the in- [397] terests of said partnership shall be imperilled or prejudiced, without first being authorized so to do by the partnership. All questions of difference as to the management or policy or business of said partnership shall be decided upon by majority in interest of the partnership, and no partner shall knowingly do any act in relation thereto, contrary to the decision of the majority in interest.

(9) Regular meetings of the partnership shall be held on Friday of each week at the hour of eight o'clock P. M. at No. 4 Laughlin Park, Hollywood,

California, and no notice of said meeting shall be necessary. Members owning a majority in interest in the partnership shall constitute a quorum, and any business transacted, or any action taken at such meeting, by a majority in interest represented at any such meeting, shall be the act of and binding upon the partnership. Special meetings of the partnership may be held upon six hours' notice being given by any one of said partners, and a majority in interest in the partnership shall constitute a quorum for the transaction of any business at any special or regular meeting.

(10) Upon the final dissolution of said partnership, by lapse of time or otherwise, the said business shall be closed, the debts paid, and the surplus divided between the partners in accordance with their interest therein.

(11) The death, bankruptcy or withdrawal of any of the members of the partnership, shall not thereby terminate the partnership, but the same shall continue to be carried on by the remaining members thereof. In the event of the death or bankruptcy of any of the partners, or in the event of the desire of any of said partners to sell his interest in said partnership, then the remaining partners shall have and are hereby granted, in the order hereinafter set forth, the right and option in any of such events, to purchase the interest or interests of such partner or partners, which option shall be exercised within ten days from notice of the happening of any one of said events, and the exercise of said option and

the payment of the consideration for such interest, shall operate as a transfer to the optionee of such interest, without the execution of any formal documents.

The purchase price of the interest of any partner under such conditions, shall be the amount of the original investment of such partner in the capital of the partnership. The partners shall have the right to exercise such option in the following order:

> Cecil B. de Mille shall have the first right to purchase such partnership interest. [398]
> Constance A. de Mille shall have the second right to purchase such partnership interest.
> Ella King Adams shall have the third right to purchase such partnership interest.
> Neil S. McCarthy shall have the fourth right to purchase such partnership interest.

The partners, among themselves, shall elect, within five days from notice of the happening of any of the events in which the right to purchase such partnership interest shall accrue, to purchase the same, and in the event of the partner first entitled to purchase such interest not so electing to purchase the same, then the partner next entitled to so purchase the same shall have an additional day within which *which* to elect to exercise said option, and in the event of the partner next in right not so electing to purchase the same within said one day, then the partner next entitled shall have the right for the next succeeding day to purchase such interest,

and in the event of such partner not so electing, then the remaining partner shall have the right for the next succeeding day to purchase such interest. In the event that none of the partners elect to purchase such interest, then such interest may be sold or disposed of as though no option upon the same had been granted.

IN WITNESS WHEREOF, the parties have hereunto set their hands, at Los Angeles, California, on the day and year first hereinabove written.

(Sgd.) CECIL B. DE MILLE.
(Sgd.) CONSTANCE A. DE MILLE.
(Sgd.) ELLA KING ADAMS.
(Sgd.) NEIL S. McCARTHY. [399]

RESPONDENT'S EXHIBIT B.

[Endorsed]: Admitted in evidence Dec. 14, 1933.

Copy of Option.
N. S. McCarthy to
C. B. deMille.
Nov. 2, 1920.

Exhibit No. 3.

For and in consideration of the sum of Ten Dollars and other valuable considerations, receipt whereof, is hereby acknowledged, the undersigned does hereby grant, bargain, sell and convey unto CECIL B. DEMILLE, the right and option to purchase, at any time within six years from the date hereof, the entire interest of the undersigned in

that certain partnership known as and called the Cecil B. deMille Productions, together with all the right, title and interest of the undersigned in and to the business, good will and other assets thereof.

The purchase price in the event of the exercise of said option shall be the sum of Twenty-Five Hundred Dollars ($2500.00), which shall be paid upon the exercise of said option. The exercise of said option and the payment of said moneys shall be deemed, and shall operate as a complete transfer of all of the rights, title and interest of the undersigned in and to the said partnership, its assets and the good will thereof.

Dated at Los Angeles, California, this 2nd day of November, 1920.

(Signed) NEIL S. McCARTHY. [400]

RESPONDENT'S EXHIBIT C.

[Endorsed]: Admitted in evidence Dec. 14, 1933.

THIS AGREEMENT MADE AND ENTERED INTO at Los Angeles, California, this 16th day of April, 1924, by and between CECIL B. deMILLE, and CECIL B. deMILLE PRODUCTIONS, a co-partnership, and CECIL B. deMILLE PRODUCTIONS, INC., a corporation, herein called the First Party, and NEIL S. McCARTHY, herein called the Second Party.

WITNESSETH:

THAT WHEREAS, a dispute has arisen between the First Party and the Second Party with refer-

ence to certain financial transactions between the said parties, and

WHEREAS, the parties are desirous of adjusting and settling said dispute,

NOW THEREFORE, IT IS HEREBY AGREED:

1. That Cecil B. deMille above named, shall and does hereby exercise the option heretofore reserved by him upon and for the purchase of, and does hereby purchase all of the stock of the Cecil B. deMille Productions, Inc., a corporation, standing in the name of the Second Party, together with all of the interest of the Second Party in and to the said Cecil B. deMille Productions, a co-partnership, at and for the price or sum described in said option, to wit: the sum of Two Thousand Five Hundred ($2,500.00) Dollars, which said sum of $2.500.00 shall be paid as hereinafter provided, and the said Second Party does hereby grant, bargain, sell, assign, transfer and set over, and has delivered as a part of this transaction, to the said Cecil B. deMille, any and all interest of the said Second Party in and to said corporation, and to the capital stock of said corporation now standing in the name of the said Second Party.

2. That the said Cecil B. deMille Productions, Inc., a corporation, shall, and odes hereby purchase from [401] the Second Party, and the Second Party does hereby grant, bargain, sell, assign, transfer and set over unto the said Cecil B. deMille Produc-

tions, Inc., for the sum of One Thousand Five Hundred Seventy-Two and Fifty-Hundredths ($1,572.50) Dollars, all of the right, title and interest of the said Second Party in and to that certain syndicate, known as the Sunset & Wilcox syndicate, in which the Cecil B. deMille Productions, Inc., and Charles Eyton are the principal owners, and which syndicate purchased the southwest corner of Sunset Boulevard and Wilcox Avenue in Hollywood, Los Angeles, California, and does further grant, bargain, sell, assign, transfer and set over unto the said Cecil B. deMille Productions, Inc., all of the right, title and interest of the second party in and to said real estate and all other property of said syndicate. The said sum of $1,572.50 shall be paid as hereinafter provided.

3. In addition to the foregoing agreements, first party shall pay to second party, the sum of Fifteen Thousand Nine Hundred Twenty-Seven and Fifty-Hundredths ($15,927.50) Dollars which said sum of $15,927.50 shall be paid as hereinafter provided.

4. The total of the amount to be paid to Second Party as hereinbefore provided, is the sum of Twenty Thousand ($20,000.00) Dollars, which said sum of $20,000.00 the First Party does hereby agree to pay to Second Party in installments of Two Hundred ($200.00) Dollars a week, beginning on the week ending April 19, 1924, and continuing each week thereafter, until the entire sum of $20,000.00 has been paid to said Second Party.

5. First Party does hereby agree to indemnify and hold the Second Party free and harmless at any and all times, from any and all loss, liability, obligation or damage of any and every kind whatsoever, either now existing [402] or which may hereafter arise by reason of anything which has heretofore transpired, from or on account of, or arising out of the ownership by the Second Party of the said stock in the Cecil B. deMille Productions, Inc., and of an interest in the Cecil B. deMille Productions, a co-partnership, and of an interest in the said syndicate above described, and from and on account of any and all obligations of any and every kind, either direct or contingent of the said syndicate, and of the said Cecil B. deMille Productions, Inc., a corporation, and of the said Cecil B. deMille Productions, a co-partnership, either now existing or which may hereafter arise by reason of anything which has heretofore transpired.

6. Second Party does hereby release and discharge First Party and each of them from any and all indebtedness, liability or obligation to Second Party of any and every kind whatsoever, and does hereby agree that the purchase of the said interests hereinbefore described, and the payment of the said sum of $20,000.00 as herein provided, shall be in full satisfaction of any and all claims, liability, obligation and demand of any and every kind and nature, of the Second Party, against the First Party, and each member thereof.

IN WITNESS WHEREOF, the parties hereto have executed, and caused this instrument to be executed, all on the day and year first above written.

CECIL B. deMILLE PRODUCTIONS, INC.,
(Signed) By CECIL B. deMILLE, Pres.
CECIL B. deMILLE PRODUCTIONS,
a co-partnership,
(Signed) By CECIL B. deMILLE.
and
CECIL B. deMILLE
(First Party)
NEIL S. McCARTHY
(Second Party). [403]

RESPONDENT'S EXHIBIT D.

[Endorsed]: Admitted in evidence Dec. 14, 1933.

AGREEMENT.

THIS AGREEMENT made and entered into at Los Angeles, California, this 9th day of February, 1926, by and between ELLA KING ADAMS, of Los Angeles, California, hereinafter called First Party, and CECIL B. DEMILLE, of Los Angeles, California, hereinafter called second party:

WITNESSETH:

THAT, WHEREAS, the First Party is the owner of eight hundred (800) shares of the capital stock of the Cecil B. deMille Productions, Inc., a corporation; and

WHEREAS, at the time of the acquiring of the said stock and of the acquiring of a corresponding

interest in the Cecil B. deMille Productions, a co-partnership, the First Party did agree that the second party should have the right and option to re-purchase the said stock and interest from her at any time, upon payment to her of the amount of her original investment therein;

NOW, THEREFORE, the first party has and does hereby sell, assign, transfer and set over unto the second party all of the said shares of the capital stock of the said Cecil B. deMille Productions, Inc., owned by her, to-wit: eight hundred (800) shares thereof, at and for the consideration agreed to be paid for the same in the said option agreement, to-wit: the original purchase price thereof, that is, Five Thousand ($5,000.00) Dollars, the receipt of which said sum of Five Thousand ($5,000.00) Dollars is hereby acknowledged by the said first party.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands the day and year in this agreement first above written.

ELLA KING ADAMS, First Party.

CECIL B. DEMILLE, Second Party.

[404]

IF RETURN IS FOR CALENDAR YEAR 1920 FILE IT WITH THE COLLECTOR OF INTERNAL REVENUE FOR YOUR DISTRICT ON OR BEFORE MARCH 15, 1921

IF FOR A PERIOD OTHER THAN A CALENDAR YEAR, THE RETURN SHOULD BE FILED ON OR BEFORE THE 15TH DAY OF THE THIRD MONTH FOLLOWING THE CLOSE OF SUCH PERIOD

NO TAX IS ASSESSABLE ON THIS RETURN. SHARES OF NET PROFIT OR LOSS SHOULD BE REPORTED ON IND. ALL RETURNS

Page 1 of Return

427

Form 1065—UNITED STATES INTERNAL REVENUE SERVICE

PARTNERSHIP AND PERSONAL SERVICE CORPORATION RETURN OF INCOME.

FOR CALENDAR YEAR 1920

(Do Not Write in this Space)

Examined by

Audited by

Or for period begun ....., 19...., and ended ....., 19....

2995

(Date Received)

If the return is made for a period other than a calendar year, the dates of the beginning and ending of the period covered must be plainly stated in the space provided above.

PRINT PLAINLY PARTNERSHIP'S OR CORPORATION'S NAME AND BUSINESS ADDRESS

23

CECIL B. DE MILLE PRODUCTIONS
1520 VINE ST. HOLLYWOOD CAL.

U.S. BOARD OF TAX APPEALS
DIV. ...
ADDITIONAL
DEC 1
PETITIONER'S
EXHIBIT
RESPONDENT'S

READ INSTRUCTIONS CAREFULLY AND ANSWER ALL QUESTIONS ON THIS FORM BEFORE FILLING IN THE SCHEDULES.

INTERNAL REVENUE
SEP 25 1922
CALIFORNIA
SOUTHERN DISTRICT

KIND OF BUSINESS ..... STATE WHETHER PARTNERSHIP OR CORPORATION .....

SCHEDULE A—INCOME TO BE ACCOUNTED FOR BY MEMBERS.

GROSS INCOME

1. Gross sales, less returns and allowances	$		
2. Less cost of goods sold, exclusive of expenses, repairs, and other items called for separately below (from Schedule A2)		$	
3. Gross income from services or from operations other than trading or manufacturing, less allowances (from Schedule A3)			167226.70
4. Interest on obligations of the United States issued since September 1, 1917 (except Victory Liberty Loan 3½% Notes), and War Finance Corporation Bonds (from Schedule A4) (see Schedule A4)			
5. Taxable interest from all other sources (not including interest referred to under Item 2, Schedule D) (from Schedule A5)			
6. Rentals	Tax - - - - No further adjustment		
7. Royalties	Penalty - - -		
8. Share of net income earned by a partnership or personal service corporation during its accounting period (whether received or not)	Int. - - -		
9. Dividends from earnings of corporations taxable by the United States on their net incomes (including dividends on stock of personal service corporations declared out of profits earned prior to January 1, 1918) (from Schedule A9)			
10. Dividends on stock of foreign corporations not taxable by the United States on their net incomes (from Schedule A10)			
11. Gross income from all other sources (not including any amount reported in Item 23 below) (from Schedule A11)	Rent		
12 TOTAL OF ITEMS 1 TO 11			167226.70

DEDUCTIONS

13. Ordinary and necessary expenses (except amounts reported in Item 2 above or called for separately below) (from Schedule A13)		78 155 56	
14. Compensation of members (including shareholders of personal service corporation who drew salaries therefrom and salaries, commissions, and other compensation in whatever form paid) (from Schedule A14)		37 70000	
15. Repairs (including labor, supplies, etc.) (from Schedule A15)			
16. Interest (from Schedule A16)			
17. Taxes (except Federal income and profits taxes, and taxes which are a credit under Section 222 or Section 238, and taxes assessed against local benefits of a kind tending to increase the value of the property assessed)			
18. Debts ascertained to be worthless and charged off during accounting period (from Schedule A18)			
19. Exhaustion, wear and tear (including obsolescence) (from Schedule A19)			
20. Depletion (from Schedule A20)			
21 TOTAL OF ITEMS 13 TO 20			115 855 56
22. DIFFERENCE BETWEEN ITEMS 12 AND 21			51 371 32
23. Profit or loss on sales of capital assets and miscellaneous investments, including liquidating dividends (from Schedule A23)	$		
24. Losses sustained during accounting period and not compensated for by insurance or otherwise (from Schedule A24)			
25. Amortization of War Facilities (from Schedule A25). (Extend to last column resulting net total of Items 23, 24, and 25)			
26. NET INCOME FOR ACCOUNTING PERIOD TO BE ACCOUNTED FOR BY MEMBERS (TOTAL OF OR DIFFERENCE BETWEEN ITEM 22 AND ITEM 25)			51 371 32

RETURN AUDITED

SCHEDULE B—INTEREST ON LIBERTY BONDS, ETC.

OBLIGATIONS	First Liberty Loan Converted 4% Bonds of 1932-47.	Second Liberty Loan 4% Bonds of 1927-42.	First Liberty Loan Converted 4½% Bonds of 1932-47.	Second Liberty Loan Converted 4½% Bonds of 1927-42.	Third Liberty Loan 4½% Bonds of 1928	First Liberty Loan Second Converted 4½% Bonds of 1932-47.	Fourth Liberty Loan 4¼% Bonds of 1933-38.	Other obligations issued since September 1, 1917.	Victory Liberty Loan 4½% Notes of 1922-23.	War Finance Corporation 5% Bonds of 1920.
INTEREST DATES	June 15. December 15.	May 15. November 15.	June 15. December 15.	May 15. November 15.	March 15. September 15.	June 15. December 15.	April 15. October 15.		June 15. December 15.	April 1. October 1.
Amount of interest	$	$	$	$	$	$	$	$	$	$

TOTAL INTEREST ON ALL OBLIGATIONS AS SHOWN ABOVE (to be entered as Item 4, Schedule A, and distributed in column 5, Schedule C) ..... $

State the amount of Victory Liberty Loan 3½% and 4¼% Notes originally subscribed for and still owned at the date of filing this return ..... $

State the amount of Fourth Liberty Loan 4¼% Bonds originally subscribed for and still owned at the date of filing this return ..... None $

SCHEDULE C—MEMBERS' SHARES OF INCOME, ETC.

Enter below the share of net income (whether distributed or not) of each member of the partnership or shareholder of the personal service corporation, and each member's share of any income and profits taxes paid by the partnership or corporation to a foreign country or to a possession of the United States. (See page 1 of instructions, paragraphs 10 to 14, inclusive.) If the distributable interests in the net income are determined on a basis other than a percentage basis, attach an explanatory statement.

Members of partnership or shareholders of personal service corporation. 1. Name and address of each, as shown on individual tax returns.	2. Interest in partnership or number of shares held in corporation.	3. Interest on Tax-Free Covenant Bonds included in Item 5, Schedule A.	4. Dividends.	5. Interest on obligations of the U.S. issued since Sept. 1, 1917, and War Finance Corporation Bonds. (Item 4, Schedule A.)	6. Other income.	7. Income and profits taxes paid to foreign country or to a possession of the U. S.
(a) Cecil B de Mille	45%	$	$	$	$23117.10	$
(b) Constance C de Mille	25%				12842.83	
(c) Elsie King Adams	20%				10274.26	
(d) Lucien McCarthy	10%				5139.13	
(e)						
(f)						
(g)						
(h)						
(i) TOTALS		$	$	$	51371.32	$

The undersigned, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is to the best of his knowledge and belief a true and complete return made in good faith, for the accounting period as stated, pursuant to the Revenue Act of 1918 and the Regulations issued under authority thereof.

Sworn to and subscribed before me this 17 day of March

Seal of officer making affidavit.

Helen Greatorex
(Signature of officer administering oath)

Notary Public
(Official capacity)

Cecil B de Mille
President of corporation. Member of partnership.

Treasurer of corporation.

SCHEDULE D—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS.

1.	Net income from Schedule A, Item 26	$51,371.32
2.	Income not to be accounted for by members:	
	(a) Interest on obligations of the United States issued before September 1, 1917, Victory Liberty Loan 3¾% Notes and obligations of United States possessions	
	(b) Interest on obligations of States, Territories, and political subdivisions thereof	
	(c) Interest on Farm Loan Bonds issued under Federal Farm Loan Act	
	(d) Dividends on stock of personal service corporations from net income earned during the period between January 1, 1918, and the beginning of present accounting period	
	(e) Profits which are derived from the sale of vessels, and which are exempt under Section 23 of the Merchant Marine Act of 1920	
	(f) Other Items (to be detailed):	
	(1)	
	(2)	
3.	Charges against reserves for bad debts, contingencies, etc. (to be detailed):	
	(a)	
	(b)	
	(c)	
4.	Total of Items 1 to 3, inclusive	$51,371.32
5.	Total from Item 13	200.00
6.	Net profit for period as shown by books, before any adjustments are made therein (Item 4 minus Item 5)	$51,171.32
7.	Surplus and undivided profits as shown by balance sheet at close of preceding taxable period	

8.	Other credits to surplus (to be detailed):	
	(a)	
	(b)	
9.	Total of Items 6 to 8, inclusive	$51,171.32
10.	Total from 16	
11.	Surplus and undivided profits as shown by balance sheet at close of accounting period (Item 9 minus Item 10)	$51,171.32
12.	Unallowable deductions:	
	(a) Donations, gratuities, and contributions	$ 200.00
	(b) Income and profits taxes paid to the United States, its possessions or a foreign country	
	(c) Special improvement taxes tending to increase the value of the property assessed	
	(d) Furniture and fixtures, additions, or betterments treated as expenses on the books	
	(e) Replacements and renewals	
	(f) Insurance premiums paid on the life of any officer or employee for the benefit of the corporation or business	
	(g) Interest on indebtedness incurred or continued to purchase or carry securities (other than obligations of the United States issued after September 24, 1917), the interest upon which is wholly exempt from taxation	
	(h) Additions to sinking fund reserve, and reserves for bad debts and other contingencies (to be detailed):	
	(1)	
	(2)	
	(3)	
	(i) Other unallowable deductions (to be detailed):	
	(1)	
	(2)	
	(3)	
13.	Total of Item 12	$ 200.00

14. Dividends or withdrawals (state whether paid in cash, stock of this company, or other property):
    (a) Date paid..... Character..... $.....
    (b) Date paid..... Character..... .....
    (c) Date paid..... Character..... .....
    (d) Date paid..... Character..... .....
15. Other debits to surplus (to be detailed):
    (a) ....
    (b) ....

16. Total of Items 14 and 15..... $ 200.00

SCHEDULE E—BALANCE SHEETS.

Attach hereto balance sheets as of the beginning and end of the taxable year (preferably in parallel columns), showing as nearly as practicable the details called for below: (These balance sheets should be prepared from the books and should be in agreement therewith, or any differences should be reconciled.)

[Not filled out.]

QUESTIONS.

KIND OF BUSINESS.

3. Answers:

(a) General class (use key letter designation) C.—Producing Pictures.

(b) Main income producing business. Give specifically the information called for under each key letter, also whether acting as principal or as agent, on commission. State if inactive or in liquidation.

.....

.....

.....

4. A personal service corporation must explain its business in sufficient detail to justify its claim to be classed as such. If the character of the business is different from that carried on during the preceding accounting period, the nature of the change must be explained. Where necessary, the statement should be made on a separate sheet, which should be firmly attached to this return.

OTHER CONCERNS IN SAME BUSINESS.

[Not filled out]

ORGANIZATION OR INCORPORATION.

6. Date of organization Aug. 16, 1920.

7. If incorporated, under the laws of what State?.....

8. Is the corporation a successor to or was it formed to take over or conduct part of the business of another corporation? ..... If so, state name and address of predecessor or other organization, and in the latter case, the financial, managerial, and contractual relationships existing between yourselves and the other organization.....

.....

.....

.....

VALUATIONS OF CAPITAL STOCK.

[Not filled out]

AFFILIATIONS WITH CORPORATIONS.

[Not filled out]

GOVERNMENT CONTRACTS.

14. Have any adjustments during the accounting period been made on account of contract or contracts with the Government or its agencies or from any Government contract or contracts in which you derived income directly or indirectly, through the operations of a claim board or otherwise? (Answer "Yes" or "No.") No. If so, state the amounts involved, $.....; whether or not such amounts are included in this return.....; and, if not, was an amended return accounting for the additional income filed for accounting period in which the contract was terminated?..... Submit a schedule showing full particulars of the contract, date entered into, date the work ceased under said contract or contracts, and the amount and nature of the adjustment.

AMORTIZATION.

15. Has amortization been claimed? (Answer "Yes" or "No.") No. If so, for what year..... Amount, $.....

PREPARATION OF RETURN.

[Not filled out]

LIST OF ATTACHED SCHEDULES.

[Not filled out]

AMENDED RETURNS.

[Not filled out]

[406]

Cecil B. de Mille Productions, a Partnership Organized August 16th, 1920.

Amount of Capital $25,000.00.

Balance Sheet December 31st, 1920.

Assets.

Cash in Bank	70,103.27
Investments.	
Hollywood Theatre proposition	5,000.00
100 shares common stock of Famous Players Lasky Corp.	4,019.86
Accounts Receivable	68.05
	79,191.18

Liabilities.

Accounts Payable	3,019.86
Capital account	25,000.00
Surplus and undivided profits	51,171.32
	79,191.18

[407]

Form 1065
U. S. Internal Revenue

THIS RETURN SHOULD BE FILED NOT LATER THAN THE 15TH DAY OF THE THIRD MONTH FOLLOWING THE CLOSE OF THE ACCOUNTING PERIOD

PARTNERSHIP AND PERSONAL SERVICE CORPORATION RETURN OF INCOME

FOR CALENDAR YEAR 1921

N P.

Or for period begun ..... 1921, and ended 1921

Do not write in this space

Examined by

Date received

PRINT NAME AND ADDRESS PLAINLY BELOW

CECIL B. de MILLE PRODUCTIONS
(Name.)

1520 NORTH VINE STREET
(Street and number.)

HOLLYWOOD, CALIFORNIA
(Post office and State.)

Collector's office normal Division

NATURE OF BUSINESS Mfg. Motion Pictures. STATE WHETHER PARTNERSHIP OR CORPORATION Partnership

1. Gross	
2. Less cost of [illegible] items called for sep	
3. Gross income from services or operations other than trading or manufacturing, less allowances (attach Schedule A3)	
4. Taxable interest from all other sources (not including interest referred to under Items 2 and 3, Schedule C)	
5. Rents	
6. Royalties	
7. Share of net income earned by a partnership or personal service corporation (whether received or not)	
8. Dividends subject to surtax only (attach Schedule A8)	
9. Dividends subject to both normal and surtax (attach Schedule A9)	
10. Other income (not including any amount reported in Item 23 below nor interest on Liberty Bonds) (attach Schedule A10)	
11. TOTAL OF ITEMS 1 TO 10	

AUDITED

SEC. ASSESSMENT

Tax - - - $ No further adjustment

Penalty - -

Interest - -

Total $

Basis CA or BAR CAR

Examined 1923

Div. No.

Line

Page

DEDUCTIONS

12. Expenses (except amounts reported in Item 2 above, or called for separately below) (attach Schedule A12)	
13. Compensation of partners or stockholders in whatever form paid (attach Schedule A13)	
14. Repairs (including labor, supplies, etc.) (attach Schedule A14)	
15. Interest (attach Schedule A15)	
16. Taxes (attach Schedule A16)	
17. Bad debts (attach Schedule A17)	
18. Exhaustion, wear and tear (including obsolescence) (attach Schedule A18)	
19. Depletion (attach Schedule A19)	
20. Amortization of War facilities (attach Schedule A20)	
21. TOTAL OF ITEMS 12 TO 20	$
22. ITEM 11 MINUS ITEM 21	$
23. Profit or loss on sales of capital assets and miscellaneous investments (attach Schedule A23)	$
24. Losses sustained by fire, storm, etc. (attach Schedule A24). Extend difference between or sum of Items 23 and 24	
25. NET INCOME TO BE ACCOUNTED FOR BY MEMBERS (ITEM 22 MINUS ITEM 24 EXTENDED)	$

RECEIVED
NOV 11 1929
INTERNAL REVENUE
LOS ANGELES, CAL.

SCHEDULE B—PARTNERS' OR STOCKHOLDERS' SHARES OF INCOME AND CREDITS.

Enter below the share of net income (whether distributed or not) of each member of the partnership or stockholder of the personal service corporation (except interest on obligations of the United States), each partner's or stockholder's share of any income tax paid at source on tax-free covenant bonds, and any income and profits taxes paid by the partnership or corporation to a foreign country or to a possession of the United States. (See page 1 of Instructions, paragraphs 9 to 14, inclusive.)

If the distributable interests in the net income are determined on a basis other than a percentage basis, attach an explanatory statement.

MEMBERS OF PARTNERSHIP OR STOCKHOLDERS OF PERSONAL SERVICE CORPORATION. 1. Name and address of each, as shown on individual tax returns.	2. Interest in partnership or number of shares held in corporation.	3. DIVIDENDS SUBJECT TO SURTAX ONLY (ITEM 8 ABOVE)	4. OTHER INCOME (ITEM 25 MINUS ITEM 8)	5. TAX PAID AT SOURCE ON TAX-FREE COVENANT BONDS.	6. INCOME AND PROFITS TAXES PAID TO A FOREIGN COUNTRY OR TO A POSSESSION OF THE UNITED STATES.
(a) Cecil B. deMille	45%	$ 432	$74235 07	$	$
(b) Constance A. deMille	25%	240	41241 70		
(c) Ella King Adams	20%	192	32993 36		
(d) Neil S. McCarthy	10%	96	16491 68		
(e)					
(f)					
(g)					
(h)					
(i)					
(j)					
(k) TOTALS		$ 960	$164966 83	$	$

The undersigned, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is to the best of his knowledge and belief a true and complete return, made in good faith, for the accounting period as stated, pursuant to the Revenue Act of 1921 and the Regulations issued under the authority thereof.

Sworn to and subscribed before me this 5th day of June, 1922

Seal of officer making affidavit.

(Signature of officer authorized to administer oaths.)

NOTARY PUBLIC
IN AND FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA
(Official capacity.)

Cecil B. deMille
President of corporation.
Member of partnership.

Treasurer of corporation.

(An amended return must be plainly marked "Amended" across the face of the return.)

8—11748

SCHEDULE C—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS.

[Not filled out.]

SCHEDULE D—BALANCE SHEETS.

Attach hereto balance sheets as at the beginning and end of the accounting period (preferably in parallel columns), showing as nearly as practicable the details called for below: (These balance sheets should be prepared from the books and should be in agreement therewith, or any differences should be reconciled.

[Not filled out.]

QUESTIONS.

KIND OF BUSINESS.

[Not filled out.]

[409]

STATEMENT OF PROFIT & LOSS.

TWELVE MONTHS TO DECEMBER 31st, 1921.

INCOME		
Weekly Payments from Famous Players Lasky		344,500.00
CONTRA		
Salaries		
Cecil B. deMille	85,988.75	
Ella King Adams	15,600.00	
Constance A. deMille	15,340.00	
Neil S. McCarthy	10,600.00	
Julia Faye	13,250.00	
Jeanie Macpherson	2,450.00	
John H. Fisher	5,421.25	
J. F. Dawson	2,200.00	
Gladys Rosson	450.00	
TOTAL SALARIES		151,300.00

GENERAL EXPENSE			
Travelling Expense	24,676.58		
Depreciation Automobiles	1,650.33		
Automobile Expense	1,489.56		
Automobile Insurance	346.15		
Advertising	360.20		
Contributions	250.00		
Stationery & Printing	46.82		
Taxes	14.50		
Sundries	8.94		
TOTAL GENERAL EXPENSE		28,843.08	
TOTAL OPERATING EXPENSE			180,143.08
NET OPERATING REVENUE			$164,356.92
NON OPERATING REVENUES			
Dividends		960.00	
Interest		1,161.24	
Profit on Famous Players Pool		9.00	
TOTAL NON OPERATING REVENUES		2,130.24	
LESS NON OPERATING DEDUCTIONS			
Interest	18.58		
Loss on Sale Colum. Graph. Stock	541.75		
TOTAL NON OPERATING DEDUCTIONS		560.33	
NET NON OPERATING REVENUES			1,569.91
PROFIT FOR YEAR 1921			$165,926.83

[410]

RESPONDENT'S EXHIBIT F.

[Endorsed]: Admitted in evidence Dec. 14, 1933.

THIS AGREEMENT, made and entered into as of the 16th day of August, 1920, by and between FAMOUS PLAYERS-LASKY CORPORATION, a corporation organized under and by virtue of the laws of the State of New York, party of the first part, and CECIL B. DE MILLE, party of the second part.

WITNESSETH:

THAT WHEREAS, the party of the second part has previously rendered and performed services as a director of motion pictures for the party of the first part, and

WHEREAS, the party of the first part has at the time of the execution of this agreement, executed an agreement with Cecil B. de Mille Productions, a co-partnership, for the distribution of certain motion pictures to be directed by the party of the second part, and

WHEREAS, the party of the second part is indebted to the party of the first part in the sum of Fifty Thousand ($50,000.00) Dollars on account of monies loaned to him by the party of the first part, the repayment of which sum of $50,000. is due on or about the 19th day of May, 1921.

NOW THEREFORE, IN CONSIDERATION of the execution by the party of the first part at the request of the party of the second part hereto, of the said agreement between the party of the first

part and Cecil B. de Mille Productions, a co-partnership, and in consideration of the mutual promises herein set forth, it is hereby agreed:

FIRST: In the event said Cecil B. de Mille Productions fail, without fault on the part of the party of the first part, to perform and carry out any of the terms of said agreement between the said Cecil B. de Mille Productions and the party of the first part, the party of the second part hereto covenants and agrees that he will complete, carry out and perform the said agreement in all of its terms, as though he were the other party thereto instead of the said Cecil B. de Mille Productions, a co-partnership.

SECOND: The agreements heretofore existing for the performance of the services of the party of the second part to and for the party of the first part, are hereby cancelled and terminated, and the payments to be made to the party of the second part by the party of the first part on the 11th day of September, 1921, and on the 15th day of March, 1922, respectively, under the aforesaid prior agreements, shall be apportioned as in said agreements provided as of the 16th day of August, 1920.

THIRD: The party of the first part hereby extends the time for the repayment of the aforementioned loan of Fifty Thousand [411] ($50,000.00) Dollars, and the same shall be required to be paid to the party of the first part as follows only:

The party of the first part shall deduct from the payments which it is required to make to the Cecil

B. de Mille Productions, a co-partnership, the sum of One Thousand ($1,000) Dollars each week beginning the 21st day of August, 1924, and shall in addition thereto, deduct the amount of interest each week on the unpaid portion of said total sum of Fifty Thousand ($50,000) Dollars, together with interest thereon at the rate provided for in the note now existing and executed in favor of the party of the first part by the party of the second part to evidence said loan of Fifty Thousand ($50,000) Dollars. Cecil B. de Mille agrees to obtain the consent of said Cecil B. de Mille Productions to such deduction.

FOURTH: It is agreed and understood that the photoplay entitled "Forbidden Fruit," is the last one made under the contract between the parties hereto dated August 1, 1916, as amended by the agreement between the parties dated March 10, 1919.

FIFTH: The party of the second part covenants and agrees that he will not direct, supervise, produce, or be interested directly or indirectly in any motion pictures during the term of the contract except those deliverable to the Famous Players-Lasky Corporation under said contract, und that he will not during the period of said contract engage in any other business than the making of pictures to be delivered to the Famous Players-Lasky Corporation, pursuant to said contract. He further guarantees and agrees that he will not permit the name of "Cecil B. de Mille" to be announced as maker, director or supervisor, or as interested in

any motion picture other than those deliverable under the aforesaid contract, until three (3) months after the termination of said contract, and that he will not permit any motion picture (except those deliverable under said contract) which has been directed or supervised by him after the termination of said contract to be released until six (6) months have elapsed after the termination of the aforesaid contract.

SIXTH: The party of the second part especially covenants and agrees that he will devote his services exclusively from the date of this contract to the 15th day of August, 1925, to the direction of motion pictures to be delivered to the Famous Players-Lasky Corporation by Cecil B. de Mille Productions, a co-partnership, pursuant to the contract hereinbefore referred to between said Famous Players-Lasky Corporation and said Cecil B. de Mille Productions of even date herewith.

SEVENTH: The party of the second part throughout the period of said agreement between the said party of the first part and [412] the said Cecil B. de Mille Productions, to wit: from August 16, 1920, to and including August 15, 1925, shall remain as the Director-General of the Famous Players-Lasky Corporation, and shall render his services as such without compensation therefore, other than what he may receive from Cecil B. de Mille Productions by virtue of being one of the partners of said firm.

IN WITNESS WHEREOF, the parties hereto have only executed these presents the day and year first above written.

FAMOUS PLAYERS-LASKY
CORPORATION,
By (Sgd.) JESSE L. LASKY,
1st Vice Pres.

(Seal of the Corporation.) [413]

RESPONDENT'S EXHIBIT G.

[Endorsed]: Admitted in evidence Dec. 15, 1933.

COPY.

August 14, 1920.

Famous Players-Lasky Corp.,
Attention Mr. H. D. H. Connick,
Alexandria Hotel,
Los Angeles, California.

Gentlemen:

This is to notify you that I have decided to terminate our agreements for the performances of my services as your employee.

As you know, I have for some time cherished the ambition to produce my own pictures with a company bearing my name, and in which I should be the principal shareholder. I have now determined to realize this ambition.

I have organized a partnership known as Cecil B. deMille Productions, with which partnership I have entered into an agreement, and which partnership will produce the pictures directed by me hereafter. I have always enjoyed my connection with the Famous Players-Lasky Corporation, and will

be greatly pleased if we can agree upon terms which will permit the release of the new Cecil B. deMille Productions through your company. I shall appreciate any suggestions which you may have which may lead to the consummation of an agreement for the release of the Cecil B. deMille Productions through the Famous Players-Lasky Corporation. As the new company must arrange for the release of these productions very soon, however, I think it would be better if we attempted to negotiate a distribution contract at the very earliest opportunity.

In the meantime, I shall complete the production which I am engaged in directing at present.

With kindest wishes for your continued success, I remain,

Sincerely yours,
CECIL B. deMILLE,
by Neil S. McCarthy." [414]

Form 1120
U. S. Internal Revenue
(Auditor's Stamp)

CORPORATION INCOME TAX RETURN

For Calendar Year 1922 405600

6-10-22 to 12-31-22

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1923

Page 1 of Return
(DO NOT WRITE IN THESE SPACES)
SERIAL NUMBER 10
FILE CODE
FIRST PAYMENT
Examined by
(Cashier's Stamp)
Cash Check M. O. Cert. of Ind.

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

CECIL B. deMILLE PRODUCTIONS INC.
(Name.)
1520 NORTH VINE STREET
(Street and Number.)
LOS ANGELES, CALIFORNIA.
(Post office and State.)

RECEIVED at California
Attached to above district
REMITTANCE
JAN 14 1923
COLLECTOR OF INT. REV.
6TH DISTRICT OF CAL.

U.S. BOARD OF TAX APPEALS
DIV. 11 DOCKET 5249
ADMITTED IN EVIDENCE
DEC 15 1933
EXHIBIT H.
RESPONDENT'S

Date of Incorporation May 20th, 1922. Under the Laws of What State or Country California.

Returns 1922 to 1929, Incl.

KIND OF BUSINESS Production of motion pictures — IS THIS A CONSOLIDATED RETURN? NO

GROSS INCOME

1. Gross Sales from Trading or Manufacturing, Less Returns and Allowances							
2. Less Cost of Goods Sold:							
(a) Inventory at beginning of year							
(b) Merchandise bought for sale							
(c) Cost of manufacturing or otherwise producing goods (From Schedule A)							
(d) Total of lines (a), (b), and (c)							
(e) Less inventory at end of year							
3. Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)							
4. Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):							
(a) Producing motion pictures				188	500	00	
(b) Rent of Props				2	865	61	
(c) Rent of Green Cadillac					92	00	
(d) Rent of Seaward - 2 days				1	000	00	
							3 957 61
5. Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds							
6. Rents Grauman Theater syndicate Accrued interest					200	00	
				1	656	55	
7. Royalties Burwell syndicate note					75	28	
Bolivia bond coupons					40	00	
							1 971 83
8. Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets					400	00	
9. Dividends on Stock of Domestic Corporations					240	00	
							1 840 00
10. Other Business Income (Net)							
(a)							
(b)							
(c)							
11. TOTAL INCOME IN ITEMS 3 TO 10							195,069. 44

DEDUCTIONS

12. Compensation of Officers (From Schedule C)			110	460	00	
13. Rent on Business Property						
14. Repairs (From Schedule D)						
15. Interest						
16. Taxes (From Schedule E)				20	63	
17. Losses by Fire, Storm, etc. (From Schedule F)						
18. Bad Debts (From Schedule G)						
19. Dividends (deductible under Section 234(a) 6 of the Revenue Act of 1921) (From Schedule H)						
20. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)			2	256	00	
21. Amortization of War Facilities			26	203	80	
22. Depletion of Mines, Oil and Gas Wells, Timber, etc.						
23. Other Deductions Not Reported Above. (Explain below, or on separate sheet):						
(a) Automobile expense			1	180	88	
(b) Yacht expense			2	429	93	
(c) Miscellaneous expense				641	87	
(d)						
(e)						
24. TOTAL DEDUCTIONS IN ITEMS 12 TO 23						143,193.11
25. NET INCOME (Item 11 minus Item 24)						51,876.03

COMPUTATION OF TAX

26. Net Income (Item 25 above)						51	876.	03	
27. Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,250)									
28. Balance (Item 26 minus Item 27)						51	876.	03	
29. Income Tax (12½% of Item 28)							6, 484.	50	
30. If the Net Income of a Domestic Corporation is Less Than $25,250, Enter the Amount in Excess of $25,000									
31. Total Tax (Item 29 plus Item 30)									6,484.50
32. Less: Income Tax Paid at Source (for a nonresident foreign corporation)									18.10
33. Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States									6502.60
34. Balance of Tax (Item 31 minus Items 32 and 33)									

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

SCHEDULE A.—COST OF MANUFACTURING OR PRODUCING GOODS. (See Instruction 2.)

[Not filled out.]

SCHEDULE B.—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8.)

[Not filled out.]

SCHEDULE C.—COMPENSATION OF OFFICERS. (See Instruction 12.)

1. Name of Officer	6. Amount of Compensation (Enter as Item 12)
Cecil B. deMille	$72,500.00
Constance A. deMille	11,600.00
Ella King Adams	8,700.00
Neil S. McCarthy	5,800.00
John H. Fisher	2,900.00

SCHEDULE D.—COST OF REPAIRS. (See Instruction 14.)

[Not filled out.]

SCHEDULE E.—TAXES PAID. (See Instruction 16.)

[Not filled out.]

SCHEDULE F.—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17.)

[Not filled out.]

SCHEDULE G.—BAD DEBTS. (See Instruction 18.)

[Not filled out.]

SCHEDULE H.—DIVIDENDS DEDUCTIBLE. (See Instruction 19.)

1. Name of Corporation.	Amount of Dividends. 2. Domestic	3. Foreign
Lasky stock	$400.00	$
Commercial Natl. Bank	240.00	
	640.00	

SCHEDULE I.—EXPLANATION OF DEDUCTION FOR DEPRECIATION. (See Instruction 20.)

[Not filled out.]

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SCHEDULE K.—BALANCE SHEETS. (See Instruction 26.)

CORPORATION STARTED DOING BUSINESS JUNE 10, 1922. NO BALANCE SHOWN FOR BEGINNING OF PERIOD. SEE ATTACHED PROFIT AND LOSS STATEMENT AND BALANCE SHEET AS OF December 31, 1922.

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SCHEDULE L.—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS.

[Not filled out]

QUESTIONS.

KIND OF BUSINESS.

3. Answers:

(a) General class (use key letter designation) G.

(b) Main income-producing business (give specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation).....

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AFFILIATIONS WITH OTHER CORPORATIONS.

(To be answered by every corporation.)

4. Does the corporation own directly or control through closely affiliated interests or by a nominee or nominees over 70 per cent of the outstanding voting capital stock of another corporation or of other corporations? No.

5. Is over 70 per cent of your outstanding voting capital stock owned by another corporation or by two or more corporations that are affiliated? No.

6. Is over 70 per cent of your outstanding voting capital stock as well as over 70 per cent of the outstanding voting capital stock of another corporation or of other corporations owned or controlled by the same individual or partnership or by the same individuals or partnerships? No.

7. If the answer to questions 4, 5, and 6, or to any of them, is "yes," answer the following:

(a) Did the corporation file Affiliated Corporations Questionnaire, Form 819, for 1917 or subsequent taxable years? No. If the answer to this question is "yes," a questionnaire is not required, except under the circumstances described in question (b). If the answer to this question is "no," and the answer to questions 4, 5 and 6, or to any of them, is "yes," procure from the Collector of Internal Revenue for your district Form 819, which shall be filled in and filed as a part of this return. If the answer to this question is "no," question (b) need not be answered.

PREDECESSOR BUSINESS.

8. Did the corporation file a return under the same name for the preceding taxable period? No. If not, was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or the preceding taxable period? ..... If answer is "yes," give name and address of each predecessor business.

.....

.....

BASIS OF RETURN.

9. Is this return made on the basis of actual receipts and disbursements? Yes. If not, describe fully what other basis or method was used in computing net income.....

.....

.....

AMORTIZATION.

10. Has amortization been claimed? Yes. If the answer to this question is "yes," state for what year or years and the amount for each year. 1922.

LIST OF ATTACHED SCHEDULES.

11. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number.

Profit and loss statement.

Balance sheet.

AFFIDAVIT.

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable period as stated, pursuant to the Revenue Act of 1921 and the Regulations issued under authority thereof.

CECIL B. DEMILLE,
President.
NEIL S. McCARTHY, Sec.
Treasurer.

Sworn to and subscribed before me this 14 day of March, 1923.

(Seal.) ROLAND W. MANUEL. .....

(Signature of officer administering oath.) (Title.)

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copy

Los Angeles, California,
March 13, 1923.

Cecil B. deMille Productions, Partnership,
c/o McCarthy & Nolan,
504 Pacific Finance Bldg.,
Los Angeles, California.

Sir:

In response to your request of March 15, 1923, there is hereby granted an extension of thirty (30) days from March 15, 1923 in which to file your in-

come tax return for the year ended December 31, 1922. This extends the time for filing to April 14, 1923.

Your attention is respectfully called to article 1003 of Regulations 62, which reads in part as follows:

> "Where the time for the payment of any installment of the tax is postponed at the request of the taxpayer, interest at the rate of 6 per cent per annum is added from the original due date."

In order that you may receive the benefit of this extension, it is essential that a copy of this letter be attached to your return when filed in this office.

Respectfully,
COLLECTOR. [419]

STATEMENT OF PROFIT AND LOSS.
6/10/22 to 12/31/22.

INCOME

Weekly payments from Famous Players Lasky Corp.	$188,500.00
Dividends received	640.00
Interest Income	1,971.83
Misc. Income, Rent of Props., Inc.	3,957.61
	$195,069.44

CONTRA		
Salaries paid	110,460.00	
Amortization of contract	26,203.80	
Automobile expense	1,180.88	
Yacht expense	2,429.93	
Depreciation	2,256.09	
Interest paid	20.63	
Miscellaneous expense	641.87	
TOTAL DEDUCTIONS		143,193.20
NET OPERATING INCOME		51,876.24
Dividends paid		10,000.00
BALANCE, profit and loss for period		41,876.24

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BALANCE SHEET

AS AT DECEMBER 31, 1922.

ASSETS.

Cash in Banks			
Commercial National Bank		35,611.91	
Security Trust & Savings Bank		2,612.13	
TOTAL CASH IN BANKS			$ 38,224.04
OTHER CURRENT ASSETS			
Loans Receivable		127,875.95	
Stocks & securities		63,928.64	
Real Estate		10,000.00	201,804.59
FIXED ASSETS			
Scenarios—picture rights		10,000.00	
Props		31,516.50	
Furniture and Fixtures	1,120.47		
Less reserve for deprec.	110.25	1,010.22	
Automobiles	5,190.00		
Less reserve for depr.	2,079.37	3,110.63	
Yacht—Seaward	48,189.47		
Less reserve for depr.	1,425.00	46,764.47	
TOTAL FIXED ASSETS			92,401.82

MISCELLANEOUS ASSETS			
Contract—Famous Players	149,257.59		
Less reserve for amortizatn.	26,203.80	123,053.79	
Life insurance premiums paid		5,392.00	
Total Miscellaneous assets			128,445.79
TOTAL ASSETS			460,876.24
LIABILITIES			
Accounts payable			
Wm. deMille		11,500.00	
Central Investment Co.		7,500.00	
Total Accounts payable			19,000.00
CAPITAL AND SURPLUS			
Capital stock authorized		500,000.00	
Capital stock unissued		100,000.00	
CAPITAL STOCK OUTSTANDING			400,000.00
Profit and loss, from 6/10/122 to 12/31/22			41,876.24
TOTAL LIABILITIES			$460,876.24

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Form 1120
U. S. Internal Revenue
(Auditor's Stamp)

CORPORATION INCOME TAX RETURN

For Calendar Year 1923

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1924

Page 1 of Return
(DO NOT WRITE IN THESE SPACES)
SERIAL NUMBER

10 FILE CODE

FIRST PAYMENT

Examined by

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

CECIL B. DE MILLE PRODUCTIONS
(Name.)

405281

1520 Vine Street
(Street and Number.)

Los Angeles, California
(Post office and State.)

Date of Incorporation June, 1922

Under the Laws of What State or Country California, U. S. A.

RECEIVED REMITTANCE
(Cashier's Stamp) COLLECTOR OF INTERNAL REVENUE
6th Dist. California
MAR 15 1924
LOS ANGELES OFFICE
Cash Check M.O. Cert. of Ind.

KIND OF BUSINESS Photoplay Productions

IS THIS A CONSOLIDATED RETURN?

Item and Instruction No.								
	GROSS INCOME							
1.	Gross Sales from Trading or Manufacturing, Less Returns and Allowances						$ 338 000 00	
2.	Less Cost of Goods Sold: ASSESSMENT							
	(a) Inventory at beginning of year				$			
	(b) Merchandise bought for sale - - - - -							
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)					61 060 80		
	(d) Total of lines (a), (b), and (c)				$	61 060 80		
	(e) Less inventory at end of year Total $						61 060 80	
3.	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)						$ 276 939 20	
4.	Gross Profit from Operations Other Than Trading or Manufacturing (State source of income):							
	(a)							
	(b)							
	(c)							
5.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds						2 848 69	
6.	Rents						11 366 61	
7.	Royalties							
8.	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)						14 627 50	
9.	Dividends on Stock of Domestic Corporations						[illegible]	
10.	Other Income (including proceeds received on account of capital stock, bonds, or insurance policies)							
	(a)							
	(b)							
	(c)							
11.	TOTAL INCOME IN ITEMS 3 TO 10							$ 307 332 00
	DEDUCTIONS							
12.	Compensation of Officers (From Schedule C)						127 500 00	
13.	Rent on Business Property							
14.	Repairs (From Schedule D)							
15.	Interest						8 076 73	
16.	Taxes (From Schedule E)						2 037 99	
17.	Losses by Fire, Storm, etc. (From Schedule F)							
18.	Bad Debts (From Schedule G)						1 500 00	
19.	Dividends (From Schedule H)						1 550 00	
20.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)						14 932 90	
21.	Amortization of War Facilities							
22.	Depletion of Mines, Oil and Gas Wells, Timber, etc.							
23.	Other Deductions Not Reported Above. (Explain below, or on separate sheet):							
	(a) Maintenance & Repairs Real Estate Rented						7 002 82	
	(b)							
	(c)							
	(d)							
	(e)							
24.	TOTAL DEDUCTIONS IN ITEMS 12 TO 23							$ 162 601 44
25.	NET INCOME (Item 11 minus Item 24)							$ 144 930 56

COMPUTATION OF TAX

26.	Net Income (Item 25 above)	$	144	930	56	29.	Income Tax (12½% of Item 28)	$	18 116 32
27.	Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,250)					30.	If the Net Income of a Domestic Corporation is Less Than $25,250, Enter the Amount in Excess of $25,000		
28.	Balance (Item 26 minus Item 27)	$	144	930	56	31.	Total Tax (Item 29 plus Item 30)	$	
32.	Less: Income Tax Paid at Source (This credit can only be allowed to a nonresident foreign corporation)								
33.	Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation								
34.	Balance of Tax (Item 31 minus Items 32 and 33)							$	18 116 32

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

9—12860

COMPUTATION PROVED

Page 2 of Return.

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS. (See Instruction 2.)

Items.	Amount.
Salaries, Artists & other employees	$33,305.00
Auto. maintenance & operation	1,925.94
Yacht maintenance & operation	11,534.50
Miscellaneous Expenses	1,989.98
Amortization of Famous Players Contract	12,305.38
	$61,060.80

SCHEDULE B.—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8.)

1. Kind of Property.	2. Date Acquired.	3. Amount Received.	4. Depreciation.	5. Cost.	6. Value March 1, 1913.	7. Subsequent Improvements.	8. Net Profit. (Enter as Item 8.)
Stock	1921	$10,000.00	$	$ 8,200.00	$	$	$ 1,800.0
Real Est.	1923	33,890.00		20,600.00			13,290.0
Automobile	1921	700.00	687.50	1,650.00			262.5
TOTALS		$44,590.00	$687.50	$30,450.00	$	$	$14,827.5
Remarks							

SCHEDULE C.—COMPENSATION OF OFFICERS. (See Instruction 12.)

1. Name of Officer.	2. Official Title.	3. Time Devoted To Business.	Shares of Stock Owned. 4. Common.	5. Preferred.	6. Amount of Compensation. (Enter as Item 12.)
Cecil B. De Mille	President	Entire	1800		$ 91,000.00
Constance A. De Mille	Vice Pres.	Entire	1000		20,800.00
Neil D. McCarthy	Secretary	Part	399		10,400.00
John H. Fisher	Treasurer	Part	1		5,300.00
Ella King Adams			800		127,500.00

SCHEDULE D.—COST OF REPAIRS. (See Instruction 14.)

[Not filled out.]

SCHEDULE E.—TAXES PAID. (See Instruction 16.)

1. Items.	2. Amount. (Enter as Item 16.)
City, County and State	$2,037.99

SCHEDULE F.—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17.)

[Not filled out.]

SCHEDULE G.—BAD DEBTS. (See Instruction 18.)

1. Year.	2. Sales on Account.	3. Bad Debts.
1921	$	$1,500.00

SCHEDULE H.—DIVIDENDS DEDUCTIBLE.
(See Instruction 19.)

1. Name of Corporation.	Amount of Dividends. 2. Domestic.	3. Foreign.
Commercial National Bank	$ 150.00	$
Famous Players-Lasky	800.00	
Grand Central Garage	600.00	
	$1,550.00	$

SCHEDULE I.—EXPLANATION OF DEDUCTION FOR DEPRECIATION. (See Instruction 20.)

1. Kind of Property. (If buildings, state material of which constructed.)	2. Date Acquired.	3. Age When Acquired.	4. Probable Life After Acquirement.	5. Cost, or Value March 1, 1913.	Amount of Depreciation Charged Off. This year.	Previous years.
Automobiles	Sundry		4 years	$ 6,069.00	$ 1,315.83	$ 1,391.87
Building Plaster & Brick	4/1/1923		20 years	95,000.00	3,562.50	None
Yacht	1922		6 years		9,924.50	1,425.00
Furniture & Fixtures	Sundry		10 years		130.07	110.25
					$14,932.90	$ 2,927.12

Attach a separate sheet if any of the above schedules do not provide sufficient space.

[Seal]

Page 3 of Return.

SCHEDULE K.—BALANCE SHEETS. (See Instruction 26.)

Items.	Beginning of Taxable Period. Amount.	Beginning of Taxable Period. Total.	End of Taxable Period. Amount.	End of Taxable Period. Total.
ASSETS.				
1. Cash		$ 38,224.04		$ 55,113.49
2. Notes receivable		127,875.95		36,431.40
3. Accounts receivable	$		$	
Less reserve for bad debts				
4. Inventories:				
Raw materials	$		$	
Work in process				
Finished goods				
Supplies				
5. Investments (describe fully):				
Stocks & Securities	$ 63,928.64		$ 93,066.50	
Real Estate	10,000.00	73,928.64	202,989.80	296,056.30
6. Loans (describe fully):				
	$		$	
7. Deferred charges:				
Prepaid insurance—				
Life	$ 5,392.00		$ 10,784.00	
Prepaid taxes—				
Contract—				
Famous Players	123,053.79	128,445.79	110,748.41	121,532.41

Items	Beginning of Taxable Period. Amount	Beginning of Taxable Period. Total	End of Taxable Period. Amount	End of Taxable Period. Total
8. Capital assets:				
Land		$		$
Buildings	$		$	
Machinery and equipment	94,895.97		113,892.53	
Furniture and fixtures	1,120.47		1,300.72	
Delivery equipment				
	$ 96,016.44		$115,193.25	
Less reserves for depreciation and depletion	3,614.62	92,401.82	14,297.52	100,895.73
9. Patents				
10. Good will				
11. Other assets (describe fully):				
	$		$	
12. Total Assets		$460,876.24		$610,029.33
LIABILITIES.				
13. Notes payable		$		$ 33,672.64
14. Accounts payable		19,000.00		3,561.58
15. Accrued expenses (describe fully):				
Interest	$		$ 940.91	
				940.91
16. Other liabilities (describe fully):				
	$		$	

Items	Beginning of Taxable Period. Amount	Beginning of Taxable Period. Total	End of Taxable Period. Amount	End of Taxable Period. Total
17. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)		$400,000.00		$400,000.00
18. Surplus	$		$ 31,876.24	
19. Undivided profits	41,876.24	41,876.24	139,977.96	171,854.20
20. Total Liabilities		$460,876.24		$610,029.33

Remarks .....

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[Seal]

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Page 4 of Return.

SCHEDULE L.—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS.

1. Net income from Item 25, page 1 of the return	$144,930.56
2. Nontaxable income:	
(a) Interest on obligations of the United States and its possessions	
(b) Interest on obligations of States, Territories, and political subdivisions thereof	
(c) Interest on Farm Loan Bonds issued under Federal Farm Loan Act	
(d) Dividends deductible under Section 234(a) 6 of the Revenue Act of 1921	1,550.00
(e) Proceeds of life insurance policies paid upon the death of the insured	
(f) Other items of nontaxable income (to be detailed):	
(1)	
(2)	
(3)	
3. Charges against reserves for bad debts, if Item 18, page 1 of return, is not an addition to a reserve	

4.	Charges against reserves for contingencies, etc. (to be detailed):	
	(a)	
	(b)	
	(c)	
5.	Total of Lines 1 to 4, inclusive	$146,480.56
6.	Total from Line 14	6,502.60
7.	Net profit for year as shown by books, before any adjustments are made therein (Line 5 minus Line 6)	$139,977.96
8.	Surplus and undivided profits as shown by balance sheet at close of preceding taxable period	
9.	Other credits to surplus (to be detailed):	
	(a)	
	(b)	
	(c)	
10.	Total of Lines 7 to 9, inclusive	$
11.	Total from Line 17	
12.	Surplus and undivided profits as shown by balance sheet at close of taxable period (Line 10 minus Line 11)	$
13.	Unallowable deductions:	
	(a) Donations, gratuities, and contributions	$
	(b) Income and profits taxes paid to the United States, and so much of such taxes paid to its possessions or foreign countries as are claimed as a credit in Item 33, page 1 of the return	6,502.60
	(c) Special improvement taxes tending to increase the value of the property assessed	
	(d) Furniture and fixtures, additions, or betterments treated as expenses on the books	
	(e) Replacements and renewals	
	(f) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficiary	

(g) Interest on indebtedness incurred or continued to purchase or carry obligations or securities (except Victory 3¾% notes, originally subscribed for the corporation), the interest upon which is wholly exempt from taxation ..... $ .....

(h) Additions to reserves for bad debts which are not included in Item 18, page 1 of return ....

(i) Additions to sinking fund reserve, and reserves for bad debts and other contingencies (to be detailed):

(1) ....

(2) ....

(3) ....

(j) Other unallowable deductions (to be detailed):

(1) ....

(2) ....

(3) ....

14. Total of Line 13 ..... $ 6,502.60

15. Dividends paid during the taxable period (state whether paid in cash, stock of this company, or other property):

(a) Date paid, Jan. Character, Cash ..... $ 10,000.00

(b) Date paid ..... Character ....

(c) Date paid ..... Character ....

(d) Date paid ..... Character ....

16. Other debits to surplus (to be detailed):

(a) ....

(b) ....

(c) ....

17. Total of Lines 15 and 16 ..... $ 10,000.00

QUESTIONS.

KIND OF BUSINESS.

[Not filled out.]

3. Answers:

(a) General class (use key letter designation) C.

(b) Main income-producing business (give specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation) Motion Picture Production.

AFFILIATIONS WITH OTHER CORPORATIONS.
(To Be Answered By Every Corporation.)

4. Does the corporation own directly or control through closely affiliated interests or by a nominee or nominees over 70 per cent of the outstanding voting capital stock of another corporation or of other corporations? No.

5. Is over 70 per cent of your outstanding voting capital stock owned by another corporation or by two or more corporations that are affiliated? .....

6. Is over 70 per cent of your outstanding voting capital stock as well as over 70 per cent of the outstanding voting capital stock of another corporation or of other corporations owned or controlled by the same individual or partnership or by the same individuals or partnerships? No.

7. If the answer to questions 4, 5, and 6, or to any of them, is "yes," answer the following:

(a) Did the corporation file Affiliated Corporations Questionnaire, Form 819, for 1917 or subsequent taxable years? No. If the answer to this question is "yes," a questionnaire is not required, except under the circumstances described in question (b). If the answer to this question is "no," and the answer to questions 4, 5, and 6, or to any of them, is "yes," procure from the Collector of Internal Revenue for your district, Forms 851, 852, and 853, Affiliations Schedules 1, 2, and 3, which shall be filled in and filed as a part of this return. If the answer to this question is "no," question (b) need not be answered.

(b) Did substantially the same conditions, as are set out in the questionnaire filed for 1922 or prior years, obtain during

the entire calendar year ended in 1923?.....
If the answer to this question is "no," a statement, setting forth the particulars in which the situation has changed, should be attached to and made a part of this return. If there have been substantial changes in stockholdings, a complete schedule of such changes should be submitted on Form 853, Affiliations Schedule 3. If there are companies other than those covered by the questionnaire for 1922 or prior years which, applying the tests contained in questions 4, 5, or 6, may have come into the affiliated group since 1922, Forms 851, 852, and 853 are required for the entire group for the taxable period.

(c) Did the corporation elect to file a consolidated return for this and subsequent years? No.

(d) Did the corporation file a consolidated return for the preceding taxable period? No. If the answer is "yes," when did such taxable period begin?.....

PREDECESSOR BUSINESS.

8. Did the corporation file a return under the same name for the preceding taxable period? Yes. If not, was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or the preceding taxable period?..... If answer is "yes," give name and address of each predecessor business.

.....

.....

BASIS OF RETURN.

9. Is this return made on the basis of actual receipts and disbursements? No. If not, describe fully what other basis or method was used in computing net income? Accrued.

AMORTIZATION.

10. Has amortization been claimed? Yes. If the answer to this question is "yes," state for what year or years and the amount for each year: 1922—$26,203.80; 1923—$12,305.38. Contract with Famous Players-Lasky.

LIST OF ATTACHED SCHEDULES.

[Not filled out.]

AFFIDAVIT.

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable period as stated, pursuant to the Revenue Act of 1921 and the Regulations issued under authority thereof.

Sworn to and subscribed before me this 11th day of March, 1924.

CECIL B. deMILLE PRODUCTIONS, INC.,

[Seal] By CECIL B. deMILLE,
President.

By JOHN H. FISHER,
Treasurer.

[Seal] GLADYS ROSSON
(Signature of officer administering oath.)

Notary Public in and for the County of Los Angeles, State of California.
(Title)

My commission expires June 12, 1927.

[425]

Form NP-2

TREASURY DEPARTMENT
Washington

[Insignia]
Office of Commissioner of Internal Revenue

IT:FAR:A6
OAB

Oct. 28, 1927

Cecil B. DeMille Productions Incorporated,
Culver City, California.

Sirs:

The determination of your income tax liability for the taxable year 1923, discloses a deficiency in tax amounting to $3,066.86, as shown in the attached statement.

In accordance with the provisions of Section 274 of the Revenue Act of 1926, you are allowed 60 days from the date of mailing of this letter within which to file a petition for the redetermination of this deficiency. Any such petition must be addressed to the United States Board of Tax Appeals, Earle Building, Washington, D. C., and must be mailed in time to reach the Board within the 60-day period, not counting Sunday as the sixtieth day.

Where a taxpayer has been given an opportunity to file a petition with the United States Board of Tax Appeals and has not done so within the 60 days prescribed and an assessment has been made, or where a taxpayer has filed a petition and an assessment in accordance with the final decision on such petition has been made, the unpaid amount of the

assessment must be paid upon notice and demand from the Collector of Internal Revenue. No claim for abatement can be entertained.

If you acquiesce in this determination and do not desire to file a petition with the United States Board of Tax Appeals, you are requested to execute a waiver of your right to file a petition with the United States Board of Tax Appeals on the inclosed Form A, and forward it to the Commissioner of Internal Revenue, Washington, D. C., for the attention of IT:FAR:A6:OAB-60D.

In the event that you acquiesce in a part of the determination, the waiver should be executed with respect to the items to which you agree.

Respectfully,
D. H. BLAIR,
Commissioner.

By (Signed) C. B. ALLEN,
Assistant to the Commissioner.
Deputy Commissioner.

MAH-2 OAB. 10/26/27
Inclosures:
Statement L C J
Form A
Form 882. [426]

STATEMENT

IT:FAR:A6
OAB

In re: Cecil B. DeMille Productions
Incorporated,
Culver City, California.

Year 1923.
Deficiency in Tax, $3,066.86.

Net income, return		$144,930.56
Additions:		
Amortization of contract	$12,305.38	
Rent from yacht	10,729.50	
Bad debts	1,500.00	24,534.88
Adjusted net income		$189,465.44

1. Inasmuch as the cost to the corporation of the F. P. L. Contract has not been established no value has been allowed for amortization purposes.

2. Rent due from an officer of your corporation for private use of corporation assets, constitutes taxable income, and the rent due on the yacht, "Seaward" has been restored to income.

3. Losses claimed under bad debts, representing loans made to Richard Carver ($1,000.00) and Mildred Harris ($500.00) have been disallowed for the reason that it is acknowledged that at the time the money was advanced, no thought of recovery was entertained. The Unit is of the opinion that this loan is in the nature of a gift, and not allowable under Article 50, Regulations 62.

The loan to Miss Harris was not evidenced by a note, and since there is no evidence that any attempt has ever been made toward collection of this loss, same has been disallowed.

Adjusted net income	$169,465.44
Tax liability 12½%	$21,183.18
Original tax	18,116.32
Deficiency	$3,066.86

[427]

Payment of this tax should not be made until a bill is received from the Collector of Internal Revenue for your district, and remittance should then be made to him. [428]

MAH—2

Form 1120
U. S. Internal Revenue
(Auditor's Stamp)

COMPLETED RETURN

CORPORATION INCOME TAX RETURN
For Calendar Year 1924

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1925

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

Cecil B. de Mille Productions, Inc.
(Name)

DeMille Studio
(Street and Number)

Culver City, Calif.
(Post office and State)

Date of Incorporation June 10, 1922.

Under the Laws of What State or Country California.

Page 1 of Return

File Code 92

Serial Number 403051

First Payment $ 454

Examined by

(Cashier's Stamp)

Cash Check M. O. Cert. of Ind.

KIND OF BUSINESS Motion Pictures Producers

IS THIS A CONSOLIDATED RETURN?

Item and Instruction No.			
	GROSS INCOME		
1.	Gross Sales from Trading or Manufacturing, Less Returns and Allowances		
2.	Less Cost of Goods Sold:		
	(a) Inventory at beginning of year		
	(b) Merchandise bought for sale		
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)		
	(d) Total of lines (a), (b), and (c)		
	(e) Less inventory at end of year		
3.	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)		
4.	Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):		
	(a) Contract with Famous Players Lasky Corp.	351 629 00	
	(b)		
	(c)		
5.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds	2 700 19	
6.	Rents	13 309 07	
7.	Royalties and escrow adjustments	150 70	
8.	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)	37 993 43	
9.	Dividends on Stock of Domestic Corporations	4 924 41	
10.	Other Income (including dividends received on stock of foreign corporations). (State nature of income):		
	(a) Iron sales from ranch	380 10	
	(b) Discounts	9 22	
	(c) Adjustments of accounts payable	40	
11.	TOTAL INCOME IN ITEMS 3 TO 10		411 096 50
	DEDUCTIONS		
12.	Compensation of Officers (From Schedule C)	123 500 00	
13.	Rent on Business Property		
14.	Repairs (From Schedule D) and Real Estate Expense	12 291 33	
15.	Interest	9 925 49	
16.	Taxes (From Schedule E)	11 061 35	
17.	Losses by Fire, Storm, etc. (From Schedule F)	150 00	
18.	Bad Debts (From Schedule G)	6 792 48	
19.	Dividends (From Schedule H)	4 924 41	
20.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)	71 846 72	
21.	Depletion of Mines, Oil and Gas Wells, Timber, etc.	-	
22.	Other Deductions Not Reported Above. (Explain below, or on separate sheet):		
	(a) Salaries and wages. (Not included in Item 2, 12, or 14 above)	29 225 00	
	(b) Yacht Expense	14 717 93	
	(c) Legal expense	15 927 50	
	(d) Loss on stock sold short	2 432 12	
	(e) Automobile expense	1 133 91	
	(f) Misc. Expense	4 710 79	
23.	TOTAL DEDUCTIONS IN ITEMS 12 TO 22		308 639 03
24.	NET INCOME (Item 11 minus Item 23)		102 457 47

COMPUTATION OF TAX

25. Net Income (Item 24 above)	102 457 47	28. Income Tax (12½% of Item 27)	12 807 18
26. Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,250)	-	29. If the Net Income of a Domestic Corporation is Less Than $25,250, Enter the Amount in Excess of $25,000	
27. Balance (Item 25 minus Item 26)	102 457 47	30. Total Tax (Item 28 plus Item 29)	12 807 18
31. Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)	-		
32. Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation	-		
33. Balance of Tax (Item 30 minus Items 31 and 32)			12 807 18

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

Page 2 of Return.

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

1. Kind of Property	2. Date Acquired	3. Amount Received	4. Depreciation Previously Allowed	5. Cost	6. Value as of March 1, 1913	7. Subsequent Improvements	8. Net Profit (Enter as Item 8)
Benton-Way—Real Estate	1923	$53,333.32	$ ——	$22,284.31	$ ——	$ ——	$31,049.01
N. E. Subdivision—Lot	1922	5,500.00	——	614.40	——	——	4,888.60
"Classmates" picture rights	1922	4,555.80	——	2,500.00	——	——	2,055.80
State how property was acquired							$37,993.41

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

1. Name of Officer	2. Official Title	3. Time Devoted to Business	Shares of Stock Owned 4. Common	Shares of Stock Owned 5. Preferred	6. Amount of Compensation (Enter as Item 12)
Cecil B. de Mille	Pres.	all	2199	.....	$ 78,000.
Constance A. de Mille	V. Pres.	all	1000	.....	24,700.
Mrs. Ella King Adams	2d V. Pres.	all	800	.....	15,600.
John H. Fisher	Secy & Treas.	all	1	.....	5,200.
					$123,500.

SCHEDULE D—COST OF REPAIRS (See Instruction 14)

See schedule attached.

SCHEDULE E—TAXES PAID (See Instruction 16)

1. Items	2. Amount (Enter as Item 16)
City & County on Real Estate	$ 9,119.85
State Tax on Gasoline & License	44.00
State Franchise	445.00
Federal Stamp Tax	55.50
" Capital stock	973.00
" Special on Yacht	424.00
	$11,061.35

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

1. Kind of Property	2. Date Acquired	3. Cost	4. Value as of March 1, 1913	5. Subsequent Improvements	6. Depreciation Previously Allowed	7. Insurance and Salvage Value	8. Net Loss (Enter as Item 17)
Gold bracelet (Either lost or stolen)	1922	$150.00	$ —	$ —	$ —	$ —	$150.00

State how property was acquired

SCHEDULE G—BAD DEBTS (See Instruction 18)

1920—See schedule attached.

SCHEDULE H—DIVIDENDS DEDUCTIBLE (See Instruction 19)

1920—See schedule attached.

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

See schedule attached.

[Seal.]

Attach a separate sheet if any of the above schedules do not provide sufficient space.

[430]

Page 3 of Return.

SCHEDULE K—BALANCE SHEETS (See Instruction 25)

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
ASSETS				
1. Cash		$ 54,272.06		$ 58,195.02
2. Notes receivable		31,640.00		18,337.01
3. Accounts receivable $		4,382.22	$	20,399.79
Less reserve for bad debts				
4. Inventories:				
Raw materials $			$	
Work in process				
Finished goods				
Supplies				
Props—Jewels, etc.	31,678.50		33,028 50	
Life Insurance premiums	10,784.00	42,462.50	10,784.00	43,812.50
5. Investments:				
Obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia $	2,021.20		$ 2,021.20	
Securities issued under the Federal Farm Loan Act, or under such Act as amended				
Obligations of the United States or its possessions		2,021.20		2,021.20

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
6. Loans (describe fully):				
.....	$		$	
.....	.....		.....	
.....	.....		.....	
7. Deferred charges:				
Prepaid insurance	$		$	
Prepaid taxes	.....		.....	
Rentals receivable	.....		.....	66.75
8. Capital assets:				
Land		212,216.80		355,485.77
Buildings	$123,291.68		$131,024.52	
Machinery and equipment—yacht	66,145.03		67,962.43	
Furniture and fixtures	1,300.72		1,651.45	
Delivery equipment	6,069.00		7,869.00	
[Illegible] contract	149,257.59		149,257.59	
Picture rights	10,000.00		7,500.00	
	$356,064.02		$365,264.99	
Less reserves for depreciation and depletion	56,369.20	299,694.82	128,215.92	237,049.07
9. Patents		.....		.....
10. Good will		.....		.....
11. Other assets (describe fully):				
Stock in domestic corp.	$ 82,036.52		$117,573.18	
Certificates of interest—Syn.	26,500.00		29,511.54	
Bonds—Domestic	3,000.00		3,000.00	
Bonds—Foreign	1,008.78	112,545.30	1,008.78	151,093.50
12. Total Assets	.....	$759,234.90	.....	$886,460.61

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
LIABILITIES				
13. Notes payable		$181,767.09		$214,694.45
14. Accounts payable		2,310.97		12,108.50
15. Accrued expenses (describe fully):				
Interest	$ 3,302.64		$ 1,320.40	
		3,302.64		1,320.40
16. Other liabilities (describe fully):				
	$		$	
17. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)	400,000.00	400,000.00	400,000.00	400,000.00
18. Surplus	$		$	
19. Undivided profits		171,854.20		258,337.26
20. Total Liabilities		$759,234.90		$886,460.61

Remarks

[431]

Page 4 of Return.

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS.

1.	Net income from Item 24, page 1 of the return	$102,457.47
2.	Nontaxable income:	
	(a) Interest on obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	142.50
	(b) Interest on securities issued under the Federal Farm Loan Act, or under such Act as amended	
	(c) Interest on obligations of the United States or its possessions	
	(d) Dividends deductible under Section 234(a) 6 of the Revenue Act of 1924	4,924.41
	(e) Proceeds of life insurance policies paid upon the death of the insured	
	(f) Other items of nontaxable income (to be detailed):	
	(1)	
	(2)	1,085.00
	(3)	
3.	Charges against reserve for bad debts, if Item 18, page 1 of return, is not an addition to a reserve	
4.	Charges against reserves for contingencies, etc. (to be detailed):	
	(a)	
	(b)	
	(c)	
5.	Total of Lines 1 to 4, inclusive	$108,609.38
6.	Total from Line 14	18,126.32
7.	Net profit for year as shown by books, before any adjustments are made therein (Line 5 minus Line 6)	$ 90,483.06
8.	Surplus and undivided profits as shown by balance sheet at close of preceding taxable year	171,854.20

9.	Other credits to surplus (to be detailed):	
	(a)	
	(b)	
	(c)	
10.	Total of Lines 7 to 9, inclusive	$262,337.26
11.	Total from Line 17	4,000.00
12.	Surplus and undivided profits as shown by balance sheet at close of taxable year (Line 10 minus Line 11)	$258,337.26
13.	Unallowable deductions:	
	(a) Donations, gratuities, and contributions	10.00
	(b) Income and profits taxes paid to the United States, and so much of such taxes paid to its possessions or foreign countries as are claimed as a credit in Item 32, page 1 of the return	18,116.32
	(c) Special improvement taxes tending to increase the value of the property assessed	
	(d) Furniture and fixtures, additions, or betterments treated as expenses on the books	
	(e) Replacements and renewals	
	(f) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficiary	
	(g) Interest on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the corporation) the interest upon which is wholly exempt from taxation	
	(h) Additions to reserve for bad debts which are not included in Item 18, page 1 of return	
	(i) Additions to reserves for contingencies, etc. (to be detailed):	
	(1)	
	(2)	
	(3)	

(j) Other unallowable deductions (to be detailed):

(1) .....

(2) .....

(3) .....

14. Total of Line 13 ..... $ 18,126.32

15. Dividends paid during the taxable year (state whether paid in cash, stock of this company, or other property):

(a) Date paid ..... Character ..... $ 4,000.00

(b) Date paid ..... Character .....

(c) Date paid ..... Character .....

(d) Date paid ..... Character .....

16. Other debits to surplus (to be detailed):

(a) .....

(b) .....

(c) .....

17. Total of Lines 15 and 16 ..... $ 4,000.00

QUESTIONS.

KIND OF BUSINESS.

3. Answers:

(a) General class (use key letter designation) "C".

(b) Main income-producing business (give specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation). Motion Picture Producers acting as principal.

AFFILIATIONS WITH OTHER CORPORATIONS.

SEE INSTRUCTION 38.

4. Does the corporation own 95 per cent or more of the outstanding voting capital stock of another domestic corporation or of other corporations? No.

5. Is over 95 per cent or more of your outstanding voting capital stock owned by another corporation? No.

6. Is 95 per cent or over of your outstanding voting capital stock as well as 95 per cent or over of the outstanding voting capital stock of another corporation or of other corporations owned or controlled by the same individual or partnership or by the same individuals, partnerships, or corporations in substantially the same proportion? No.

7. If the answer to questions 4, 5, and 6, or to any of them, is "yes," answer the following:

[Not filled out.]

PREDECESSOR BUSINESS.

8. Did the corporation file a return under the same name for the preceding taxable year? Yes. If not, was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or the preceding taxable year? ..... If answer is "yes," give name and address of each predecessor business.

.....

.....

BASIS OF RETURN.

9. Is this return made on the basis of actual receipts and disbursements? Yes. If not, describe fully what other basis or method was used in computing net income.

.....

.....

.....

LIST OF ATTACHED SCHEDULES.

10. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the taxpayer should be placed on each separate schedule accompanying the return.

Item 6—Rents	.....	Schedule "A"
" 14—Repairs	.....	Schedule "D"
" 18—Bad debts	.....	" "G"
" 19—Dividends	.....	" "H"
" 20—Depreciation	.....	" "I"
" 22—(b) Yacht Expense	.....	" "J"
" 22—(f) Miscl. "	.....	" "K"

AFFIDAVIT.

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year as stated, pursuant to the Revenue Act of 1924 and the Regulations issued under authority thereof.

CECIL B. deMILLE,
President.
GLADYS ROSSON,
Asst. Sec'y

Sworn to and subscribed before me this 15th day of April, 1925.

[Seal] I. F. DAWSON, Notary Public.
(Signature of officer administering oath)
(Title)

My commission expires May 8, 1927.

[432]

(Postal Telegraph)
TELEGRAM.

(Copy)

Washington D C March 13 25

Mr. John H. Fisher,
DeMille Studios,
Culver City, Calif.

Extension April fifteen granted complete return of Cecil B. De Mille Constance A. De Mille and Cecil B. De Mille Productions Inc. calendar year 1924 provided tentative terms filed showing only name and address and estimated tax and payment made one-fourth tax by March seventeen. Any defi-

ciency first installment will bear interest six per cent per annum from original due date. Attach copy this telegram tentative and completed returns. By direction Commissioner.

F. G. BRIGHT—Deputy Commissioner.

[433]

THE POSTAL TELEGRAPH-CABLE COMPANY

[Terms and Conditions, Classes of Service]

[434]

SCHEDULE "A"

Item 6

Rent

Laughlin Park—dwelling	$ 7,200.00
1628 Vine St.	817.49
Fernangeles stores	445.17
Highland Ave.—dwelling	2,066.75
Props.—jewels, etc.	1,305.00
Camera Equip.	1,325.00
Hollywood Blvd.—lot	90.00
Sunset Blvd.—lot	37.48
Sunset & Cahuenga—lot	22.18
Total	$13,309.07

[435]

SCHEDULE "D"

Item 14

Repairs & Expense

Labor for gardeners, caretakers, etc.	$7,100.00
Insurance, water, light, repairs	5,191.33
Total	$12,291.33

This item is offset by the rentals seen in Schedule "A". [436]

SCHEDULE "G"

Item 18

Bad Debts

Aviation Securities Co.	$6,600.00
Sylvia Fairbanks	110.00
G. L. Pendleton	60.00
A. G. Wilson	22.48
	$6,792.48

The Aviation Securities Co. was declared bankrupt in 1924. All other items are wholly uncollectable. [437]

SCHEDULE "H"

Item 19

Dividends Received

Grand Central Garage	$1,000.00
Central Investment Co.	1,869.00
Baucitaly	100.00
Commercial Nat. Bank	195.00
Famous Players Lasky	1,000.00
Southern Glass Co.	600.00
Theater Magazine Co.	37.91
American Commercial Bank	122.50
Total	$4,924.41

[438]

SCHEDULE "I"

Item 20

Depreciation

Kind of Property	Date Acquired	Age	Life	Cost	Previous Year	This Year
Dwelling—Frame	1923	5 yrs.	20	$ 95,000.00	$ 3,562.50	$ 4,750.00
" "	1923	new	20	6,243.57	"	156.09
" "	1923	5	20	23,625.01	"	1,181.25
" "	1923	5	20	4,666.67	"	233.33
Fur. & Fix.	1922	new	10	1.597.85	240.32	159.79
Automobiles	1922	new	4	6,069.00	2,707.70	1,517.25
Ranch Implements	1923	new	5	1,817.40	1/2 yr.	187.10
Yacht	1922	new	6⅔	66,145.03	11,349.50	9,921.75
Contract	1922			149,257.59	38,509.18	52,240.16
Scenarios	1922		5	7,500.00	—	1,500.00
				Total		$71,846.72
					56,369.20	

The above contract was to have run for five years but was later changed to terminate on sixty days' notice. This clause raised the basis for amortization up to 35% for 1924.

[439]

SCHEDULE "J"

Item 22-(b)

Yacht Expense.

Labor, material, supplies, repairs	$17,967.93
Less rentals to other producers	3,250.00
Net	$14,717.93

This is not a pleasure craft, but a part of the studio equipment for the production of "Sea scenes". It is subjected to the severest test of strength and endurance, hence, the expense of upkeep is often disproportionate. A crew is maintained at all times. It is sometimes leased to other producers for similar purposes. [440]

SCHEDULE "K"

Item 22 (f)

Miscellaneous

Expenses

Traveling Expense	$1,127.86
Publicity	1,766.10
Legal Fees	756.00
Commissions	500.00
Audit	203.00
Stationery	125.76
Dues and Subscriptions	124.55
Rent of safety box	75.00
Executive Entertainment	9.50
Sundry Expenses	23.02
Total	$4,710.79

[441]

Form 1120
U. S. Internal Revenue
(Auditor's Stamp)

CORPORATION INCOME TAX RETURN
For Calendar Year 1924

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1925

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

Cecil B. de Mille Productions, Inc.
(Name)

deMille Studio
(Street and Number)

Culver City, California
(Post office and State)

Date of Incorporation

Under the Laws of What State or Country 1661

96 F 308
Page 1 of Return

File Code 1 5 F.I.T

Serial Number

First Payment $ 4750.00

By
(Cashier's Stamp)

RECEIVED WITH REMITTANCE
MAR 16 1925
COLLECTOR OF INT. REV.
6th Dist. of Calif.

POSTING APR 18 1925 DATE

KIND OF BUSINESS

IS THIS A CONSOLIDATED RETURN?

Line and Instruction No.	GROSS INCOME		
1.	Gross Sales from Trading or Manufacturing, Less Returns and Allowances		
2.	Less Cost of Goods Sold:		
	(a) Inventory at beginning of year		
	(b) Merchandise bought for sale		
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)		
	(d) Total of lines (a), (b), and (c)		
	(e) Less inventory at end of year		
3.	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)		
4.	Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):		
	(a)		
	(b)		
	(c)		
5.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds		
6.	Rents		
7.	Royalties		
8.	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)		
9.	Dividends on Stock of Domestic Corporations		
10.	Other Income (including dividends received on stock of foreign corporations). (State nature of income):		
	(a)		
	(b)		
	(c)		
11.	TOTAL INCOME IN ITEMS 3 TO 10		

	DEDUCTIONS		
12.	Compensation of Officers (From Schedule C)		
13.	Rent on Business Property		
14.	Repairs (From Schedule D)		
15.	Interest		
16.	Taxes (From Schedule E)		
17.	Losses by Fire, Storm, etc. (From Schedule F)		
18.	Bad Debts (From Schedule G)		
19.	Dividends (From Schedule H)		
20.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)		
21.	Depletion of Mines, Oil and Gas Wells, Timber, etc.		
22.	Other Deductions Not Reported Above. (Explain below, or on separate sheet):		
	(a) Salaries and wages. (Not included in Item 2, 12, or 14 above)		
	(b)		
	(c)		
	(d)		
	(e)		
	(f)		
23.	TOTAL DEDUCTIONS IN ITEMS 12 TO 22		
24.	NET INCOME (Item 11 minus Item 23)		

E FORM ATTA

COMPUTATION OF TAX

25.	Net Income (Item 24 above)		
26.	Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,250)		
27.	Balance (Item 25 minus Item 26)		
28.	Income Tax (12½% of Item 27)		
29.	If the Net Income of a Domestic Corporation is Less Than $25,250, Enter the Amount in Excess of $25,000		
30.	Total Tax (Item 28 plus Item 29)		19 000 00
31.	Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)		
32.	Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation		
33.	Balance of Tax (Item 30 minus Items 31 and 32)		

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

2—18774

4750 =

538

Page 2 of Return.

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

[Not filled out.]

SCHEDULE C—COMPENSATION OF OFFICERS

(See Instruction 12)

[Not filled out.]

SCHEDULE D—COST OF REPAIRS (See Instruction 14)

[Not filled out.]

SCHEDULE E—TAXES PAID (See Instruction 16)

[Not filled out.]

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

[Not filled out.]

SCHEDULE G—BAD DEBTS (See Instruction 18)

[Not filled out.]

SCHEDULE H—DIVIDENDS DEDUCTIBLE

(See Instruction 19)

[Not filled out.]

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

[Not filled out.]

Page 3 of Return.

SCHEDULE K—BALANCE SHEETS (See Instruction 25)

[Not filled out.]

[444]

Page 4 of Return.

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

[Not filled out.]

QUESTIONS.

KIND OF BUSINESS

[Not filled out.]

AFFILIATIONS WITH OTHER CORPORATIONS

[Not filled out.]

PREDECESSOR BUSINESS

[Not filled out.]

BASIS OF RETURN

[Not filled out.]

LIST OF ATTACHED SCHEDULES

[Not filled out.]

AFFIDAVIT.

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the

taxable year as stated, pursuant to the Revenue Act of 1924 and the Regulations issued under authority thereof.

CECIL B. deMILLE,
President.
JOHN H. FISHER,
Treasurer.

Sworn to and subscribed before me this 17th day of March, 1925.

[Seal] GLADYS ROSSON,
(Signature of officer administering oath)
Notary Public in and for the County of Los Angeles, State of California.
(Title)

My commission expires June 12, 1927.

[445]

Page 1 of Instructions.

INSTRUCTIONS

The Instructions Numbered 1 to 24 on this Page Correspond with the Item Numbers on Page 1 of the Return.

GROSS INCOME AND DEDUCTIONS

1. Gross sales.—If engaged in trading or manufacturing, enter as Item 1 on page 1 of the return, the gross sales, less goods returned and any allowances or discounts from the sale price.

Railroad corporations, banks, insurance companies, and other corporations required to submit statements of income and expenses to any national, State, municipal, or other public officer may submit with the return a statement of income and expenses in the form in which submitted to such officer, in lieu of furnishing the information requested in Items 1 to 23 of the return. In such cases the taxable net income will be reconciled by means of

Schedule L with the net profit shown by the income and expense statement submitted, and should be entered as Item 24 on page 1 of the return.

2. Cost of goods sold.—Enter as Item 2 the information requested on lines (a) to (e), and list in Schedule A, on page 2 of the return, the principal items of cost included in the amount entered on line (c), the minor items to be grouped in one amount.

If the production, purchase, or sale of merchandise is an income-producing factor in the trade or business, secure from the Collector of Internal Revenue and file as a part of this return a Certificate of Inventory, Form 1126. Enter on lines (a) and (e) under Item 2, immediately before the amount column, the letters "C," or "C or M," to indicate that the inventories are valued at either cost, or cost or market, whichever is lower. In case the inventories reported on the return do not agree with those shown on the balance sheet, attach a statement explaining how the difference occurred.

3. Gross profit.—Enter as Item 3 the gross profit from trading or manufacturing, which is obtained by deducting Item 2, the cost of goods sold, from Item 1, the gross sales.

4. Gross profit from other operations.—Enter as Item 4 the gross profit from operations other than trading or manufacturing, stating in the space provided the nature and amount of the principal items; the minor items should be grouped in one amount.

5. Interest on bank deposits, etc.—Enter as Item 5 all interest received or credited to the corporation

during the taxable year on bank deposits, notes, mortgages, and corporation bonds.

6. Rent.—Enter as Item 6 the gross amount received for the rent of property. Any deductions claimed for repairs, interest, taxes, and depreciation should be included in Items 14, 15, 16, and 20, respectively.

7. Royalties.—Enter as Item 7 the gross amount received as royalties. If a deduction is claimed for depletion, it should be reported as Item 21.

8. Profit from sale of capital assets.—Enter as Item 8 the amount of gain or loss from the sale or other disposition of real estate, stocks, bonds, and capital assets.

Describe the property briefly in Schedule B, and state the actual consideration or price received, or the fair market value of the property received in exchange. Expenses connected with the sale, such as commissions paid agents, may be deducted in computing the amount received.

Enter the original cost of the property, and if it was acquired prior to March 1, 1913, the fair market value as of that date. Attach statement explaining how value as of March 1, 1913, was determined. Expenses incidental to the purchase may be included in the cost if never deducted from the income.

Enter as depreciation the amount of exhaustion, wear and tear, obsolescence, amortization, or depletion previously allowed with respect to such property since date of acquisition, or since March 1, 1913, if the property was acquired before that date.

Subsequent improvements include expenditures for additions, improvements and repairs made to restore the property or prolong its useful life. Do not deduct ordinary repairs, interest, or taxes in computing gain or loss.

In the case of sales of stocks and bonds, deductions should not be taken in columns 4 and 7 for "Depreciation" and "Subsequent improvements." No loss shall be recognized in any sale or other disposition of shares of stock or securities where the corporation has acquired substantially identical property within 30 days before or after the date of such sale, unless the corporation is a dealer in stock or securities in the ordinary course of business.

In case the amount to be entered as Item 8 is a deductible loss, such amount should be preceded by a minus sign or written with red ink. See Articles 1561 and 1591 of Regulations 65, and Sections 202 to 204 of the Revenue Act of 1924.

9. Dividends.—Enter as Item 9 the amount received as dividends (a) from a domestic corporation other than a corporation entitled to the benefits of Section 262 of the Revenue Act of 1924 and other than a corporation organized under the China Trade Act, 1922, or (b) from a foreign corporation when it is shown to the satisfaction of the Commissioner that more than 50 per cent of the gross income of such foreign corporation for the three-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in exist-

ence) was derived from sources within the United States as defined under Section 217 of the Act.

10. Other income.—Enter as Item 10 all other taxable income for which no place is provided on the return, together with any dividends specifically excluded from Item 9.

11. Total income.—Enter the net amount of Items 3 to 10, inclusive, after deducting any losses reported in Items 3, 4, and 8.

12. Compensation of officers.—Enter as Item 12 the compensation of all officers, in whatever form paid, and fill in Schedule C, giving the information requested.

13. Rent.—Enter as Item 13 rent paid for business property in which the corporation has no equity.

14. Repairs.—Enter as Item 14 the cost of incidental repairs, including the labor, supplies, and other items which do not add to the value or appreciably prolong the life of property. Expenditures for new buildings, machinery, equipment, or for permanent improvements or betterments which increase the value of the property are chargeable to capital account. Expenditures for restoring or replacing property are not deductible, as such expenditures are chargeable to capital account or to depreciation reserve, depending on the treatment of depreciation on the books of the corporation.

List in Schedule D the principal items of cost, grouping the minor items in one amount.

15. Interest.—Enter as Item 15 interest paid on business indebtedness. Do not include interest on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the corporation) the interest upon which is wholly exempt from taxation.

16. Taxes.—Enter as Item 16 taxes paid or accrued during the taxable year. Do not include Federal income and profits taxes, the amount claimed as a credit in Item 32, and taxes against local benefits tending to increase the value of the property assessed. List in Schedule E each class of taxes deducted.

17. Losses by fire, storm, etc.—Enter as Item 17 the net loss arising from fire, storm, shipwreck, or other casualty, or from theft, and not compensated for by insurance or otherwise. Explain losses claimed in Schedule F. State original cost of property, and if acquired prior to March 1, 1913, its fair market value as of that date.

18. Bad debts.—Enter as Item 18 debts, or portions thereof, arising from sales or services that have been reflected in income, which have been definitely ascertained to be worthless and have been charged off within the year, or such reasonable amount as has been added to a reserve for bad debts within the year.

If the debts are included in the deduction claimed, submit a schedule showing the amounts

charged off, and state how each was determined to be worthless.

If the amount deducted is an addition to a reserve, Schedule G should be filled in giving the information requested.

A debt previously charged off as bad, if subsequently collected, must be returned as income for the year in which collected.

19. Dividends.—Enter as Item 19 the dividends described in Instruction 9 which were reported as income in Item 9.

Describe in Schedule H any dividends claimed as a deduction.

20. Depreciation.—The amount deductible on account of depreciation in Item 20 is an amount fairly measuring the portion of the investment in depreciable property by reason of exhaustion, wear and tear, or obsolescence, which is properly chargeable against the operations of the year. If the property was acquired by purchase on or after March 1, 1913, the amount of depreciation should be determined upon the basis of the original cost (not replacement cost) of the property, and the probable number of years remaining of its useful life. In case the property was purchased prior to March 1, 1913, the amount of depreciation will be determined in the same manner, except that it will be computed on its original cost, or the fair market value as of March 1, 1913, whichever is greater. If the property was acquired in any other manner than by purchase see Section 204 of the Revenue Act of

1924. The capital sum to be replaced should be charged off over the useful life of the property either in equal annual installments or in accordance with any other recognized trade practice, such as an apportionment over units of production. Whatever plan or method of apportionment is adopted must be reasonable and must have due regard to operating conditions during the taxable year. The method adopted should be described in the return. Stocks, bonds, and like securities are not subject to exhaustion, wear and tear within the meaning of the law.

If a deduction is claimed on account of depreciation Schedule I shall be filled in, and the total amount claimed therein should correspond with the figures reflected in the balance sheet. In case obsolescence is included, state separately amount claimed and basis upon which it is computed. Land values must not be included in this schedule. See Articles 161 to 172, and 1602 of Regulations 65.

21. Depletion.—If a deduction is claimed on account of depletion, secure from the Collector Form D (minerals), Form E (coal), Form F (miscellaneous nonmetals), Form O-3 (oil and gas), or Form T (timber), fill in and file with return. If complete valuation data have been filed with Questionnaire in previous years, then file with this return information necessary to bring your depletion schedule up to date, setting forth in full statement of all transactions bearing on deductions or additions to value of physical assets with explanation of how depletion deduction for the taxable year

has been determined. See Article 1602 of Regulations 65, and Section 204(c) of the Revenue Act of 1924.

22. Other deductions.—Enter any other authorized deductions for which no place is provided on the return, including any salaries and wages not claimed as a deduction in Item 2, 12, or 14.

23. Total income.—Enter the total of Items 12 to 22, inclusive.

24. Net income.—Enter as Item 24 the net income, which is obtained by deducting Item 23 from Item 11.

BALANCE SHEETS

25. The balance sheets on page 3 of the return, Schedule K, should be prepared from the books and should agree therewith, or any differences should be reconciled. The balance sheets for a consolidated return should be furnished in accordance with Instruction 41. All corporations engaged in an interstate, or intrastate trade or business and reporting to the Interstate Commerce Commission, or to any national, State, municipal, or other public officer, may submit, in lieu of Schedule K, copies of their balance sheets prescribed by said Commission or State and municipal authorities, as at the beginning and end of the taxable year.

In case the balance sheet as at the beginning of the current taxable year does not agree in every respect with the balance sheet which was submitted as at the end of the previous taxable year the differ-

ences should be fully explained in the space provided under Schedule K.

WORKING PAPERS

26. Every corporation should preserve, available for inspection by a revenue officer, working papers showing the balance in each account on the corporation's books that was used in preparing the return.

INFORMATION AT THE SOURCE

27. Every corporation making payments of salaries, wages, interest, rent, commissions, or other fixed or determinable income of $1,000 or more during the calendar year, to any individual, fiduciary, or partnership, is required to make a true and accurate return to the Commissioner of Internal Revenue, showing the amount of such payments and the name and address of the recipient. Forms 1096 and 1099, for reporting such information, will be furnished by any Collector of Internal Revenue. Such returns of information covering the calendar year 1924 must be forwarded to the Commissioner of Internal Revenue, Sorting Section, Washington, D. C., in time to be received not later than March 15, 1925. [446]

Page 2 of Instructions.

LIABILITY FOR FILING RETURNS

28. Corporations generally.—Every domestic or resident corporation, joint-stock company, association, or insurance company not specifically exempted by Section 231 of the Revenue Act of 1924, whether or not having any net income, must file a return.

29. Corporations in possessions of the United States.—Domestic corporations within the possessions of the United States (except the Virgin Islands) may report as gross income only gross income from sources within the United States, provided, (a) 80 per cent or more of the total gross income for the three-year period immediately preceding the close of the taxable year (or such part thereof as may be applicable) was derived from sources within a possession of the United States; and (b) 50 per cent or more of the total gross income for such three-year period or applicable part thereof was derived from the active conduct of a trade or business within a possession of the United States.

30. Foreign corporations.—A foreign corporation subject to the provisions of the Revenue Act of 1924, regardless of the amount of its net income, is required to file a return with the Collector in whose district is located its principal office or agency through which is transacted the business in the United States. The net income should be computed in accordance with Section 217 of the Revenue Act of 1924.

INSURANCE COMPANIES

31. Life insurance companies.—A life insurance company issuing life insurance and annuity contracts (including contracts of combined life, health, and accident insurance), as defined by Section 242 of the Revenue Act of 1924, shall file its tax return on Form 1120L, instead of this form.

32. Mutual insurance companies.—A mutual insurance company (other than a life insurance company), in addition to the deductions allowed a corporation, unless otherwise allowed, may claim as deductions in Item 22 on this form, (a) the net addition required by law to be made within the taxable year to reserve funds (including in the case of an assessment insurance company the actual deposit of sums with State or Territorial officers pursuant to law as additions to guarantee or reserve funds), and (b) the sums other than dividends paid within the taxable year on policy and annuity contracts.

33. A mutual marine insurance company shall include in its gross income in Item 4 of this return the gross premiums collected and received, less amounts paid for reinsurance, and in addition to the deductions allowed a corporation, and to a mutual insurance company in paragraph 32 above, unless otherwise allowed, may claim as a deduction in Item 22 of the return amounts repaid to policyholders on account of premiums previously paid by them, and interest paid upon such amounts between the ascertainment and the payment thereof.

34. A mutual insurance company (including interinsurance and reciprocal underwriters, but not including a mutual life or mutual marine insurance company) requiring its members to make premium deposits to provide for losses and expenses, may, in addition to the deductions allowed a corporation, and to a mutual insurance company in paragraph 32 above, unless otherwise allowed, claim as a deduction in Item 22 of this form, the amount of premium deposits returned to its policyholders and the amount of premium deposits retained for losses, expenses, and reinsurance reserves.

35. The receipts of a shipowners' mutual protection and indemnity association, not organized for profit, and no part of the net earnings of which inures to the benefit of any private stockholder or member, are exempt from taxation, but such association shall be subject as a corporation to the tax upon its net income from interest, dividends, and rents.

36. Benevolent life insurance associations of a purely local character, farmers' or other mutual hail, cyclone, casualty, or fire insurance companies, mutual ditch or irrigation companies, mutual or cooperative telephone companies, or like organizations are exempt from taxation only if 85 per cent or more of the income consists of amounts collected from members for the sole purpose of meeting losses and expenses.

37. Other insurance companies.—The net income of an insurance company (other than a life or

mutual insurance company referred to above) is the gross income earned during the taxable year from investment income and from underwriting income, computed on the basis of the underwriting and investment exhibit of the Annual Statement approved by the National Convention of Insurance Commissioners, as provided in Section 246 of the Revenue Act of 1924, less the deductions for ordinary and necessary expenses, interest, taxes, losses, bad debts, depreciation, etc., as allowed by Section 247 of the Act.

CONSOLIDATED RETURNS

38. If one domestic corporation owns 95 per cent or more of the outstanding voting stock of another or others, or if 95 per cent or more of the outstanding voting stock of two or more domestic corporations is owned by the same individual or partnership, or by the same individuals, partnerships, or corporations, in substantially the same proportion, a consolidated return may be filed by such corporations. In case a consolidated return is filed, the parent or principal corporation of any group of affiliated corporations must furnish the information called for in questions 4 to 7, page 4, of the return.

39. If affiliated corporations file either separate returns or a consolidated return, all returns thereafter made shall be upon the same basis unless permission to change the basis has been granted by the Commissioner. See Section 240 of the Revenue Act of 1924, and Articles 631 to 638 of Regulations 65. A corporation organized under the China Trade

Act, 1922, shall not be deemed to be affiliated with any other corporation within the meaning of Section 240 of the Revenue Act of 1924.

40. The parent or principal reporting company of affiliated corporations, when filing a consolidated return on this form, shall attach thereto a schedule showing the names and addresses of all affiliated corporations in the group, and if the tax is apportioned among these corporations, the amount allocated to each. Each of the other affiliated corporations shall file Form 1122 in the office of the Collector for its district.

41. All supplementary and supporting schedules filed with a consolidated return should be prepared in columnar form, one column being provided for each corporation included in the consolidation, one column for a total of like items before adjustments are made, one column for intercompany eliminations and adjustments, and one column for a total of like items after giving effect to the eliminations and adjustments. The items included in the column for eliminations and adjustments should be symbolized so as to readily identify contra items affected, and suitable explanations appended, if necessary.

CREDIT FOR TAXES

42. A foreign corporation subject to taxation and not engaged in a trade or business within the United States and not having any office or place of business therein may claim as a credit in Item 31 any income tax required to be deducted and withheld at the source.

43. If a credit is claimed by a domestic corporation in Item 32 on account of income and profits taxes paid to a foreign country or a possession of the United States, a copy of Form 1118, completely filled in and sworn to, must be submitted with this return. When credit is sought for taxes already paid, the form must have attached to it the receipt for each such tax payment. In case credit is sought for taxes accrued the form must have attached to it a copy of the return on which each such accrued tax was based, or other evidence as to the accrual of taxes, and as a condition precedent to the allowance of this credit the Commissioner may require the corporation to give a bond on Form 1119, conditioned for the payment of any taxes found due if the taxes when paid differ from the amount claimed.

A foreign corporation is not entitled to this credit.

PERIOD COVERED AND COMPUTATION OF TAX

44. A corporation making a return for the calendar year 1924 shall use this form and compute the net income in accordance with the method of accounting regularly employed in keeping its books, unless such method does not clearly reflect the income.

45. In case the first or final return is for a period of less than twelve months the credit of $2,000 allowed a domestic corporation having a net income not exceeding $25,000 shall be reduced to an amount which bears the same ratio to the full credit as the

number of months for which the return is made bears to twelve months.

46. Except in the case of the first return the corporation shall make its return on the basis upon which the return was made for the taxable year immediately preceding unless, with the approval of the Commissioner, a change is made in the accounting period.

47. If a corporation desires to change its accounting period from fiscal year to calendar year, from calendar year to fiscal year, or from one fiscal year to another fiscal year, an application for such change shall be made on Form 1128 and forwarded to the Collector at least thirty days before the close of the proposed period for which a return would be required to effect the change.

48. Where the Commissioner approves a change in the accounting period the net income computed on the separate return for a fractional part of a year shall be placed on an annual basis by multiplying the amount thereof by twelve and dividing by the number of months included in the period, and the tax shall be such part of a tax computed on such annual basis as the number of months in such period is of twelve months. See Sections 212 and 226 of the Revenue Act of 1924.

TIME AND PLACE FOR FILING

49. The return must be sent to the Collector of Internal Revenue for the district in which the corporation's principal office is located so as to reach

the Collector's office on or before March 15, 1925. In the case of a foreign corporation not having any office or place of business in the United States the return shall be filed on or before June 15, 1925, with the Collector of Internal Revenue, Baltimore, Maryland, U. S. A.

50. The Commissioner may grant a reasonable extension of time for filing a return, if application therefor is made before the date prescribed by law for filing such return, whenever in his judgment good cause exists.

SIGNATURES AND VERIFICATION

51. The return shall be sworn to by the president, vice president, or other principal officer, and by the treasurer or assistant treasurer. The return of a foreign corporation having an agent in the United States shall be sworn to by such agent. If receivers, trustees in bankruptcy, or assignees are operating the property or business of the corporation, such receivers, trustees, or assignees shall execute the return for such corporation under oath.

PAYMENT OF TAXES

52. The tax should be paid by sending or bringing with the return a check or money order drawn to the order of "Collector of Internal Revenue at (insert name of city and State)."

Do not send cash through the mail or pay it in person except at the office of the Collector.

The total tax may be paid at the time of filing the return or in four equal installments, as follows:

The first installment shall be paid on or before March 15, 1925, the second installment shall be paid on or before the fifteenth day of the third month, the third installment on or before the fifteenth day of the sixth month, and the fourth installment on or before the fifteenth day of the ninth month, after the latest date prescribed for paying the first installment.

If any installment is not paid on the date fixed for its payment, the whole amount of the tax unpaid shall be paid upon notice and demand by the Collector.

PENALTIES

53. For willful failure to make and file a return on time.—Not more than $10,000 or imprisonment for not more than one year, or both, and, in addition, 25 per cent of the amount of the tax.

54. For willfully making a false or fraudulent return.—Not more than $10,000 or imprisonment for not more than five years, or both, and, in addition, 50 per cent of the amount of the tax.

55. For deficiency in tax.—Interest on deficiency at 6 per cent per annum to the date the deficiency is assessed, and, in addition, 5 per cent of the amount of the deficiency if due to negligence or intentional disregard of rules and regulations without intent to defraud, or 50 per cent of amount of deficiency if due to fraud.

UNDISTRIBUTED PROFITS.

56. If any corporation, however created or organized, is formed or availed of for the purpose of preventing the imposition of the surtax upon its stockholders or members through the medium of permitting its gains and profits to accumulate instead of being divided or distributed, there shall be levied, collected, and paid for each taxable year upon the net income of such corporation a tax equal to 50 per cent of the amount thereof, which shall be in addition to the tax imposed by Section 230, Revenue Act of 1924, and shall be computed, collected, and paid upon the same basis and in the same manner and subject to the same provisions of law, including penalties as that tax, except that there shall be included in gross income the amount of interest on obligations of the United States issued after September 1, 1917, which would be subject to tax in whole or in part in the hands of an individual owner, and except that no deduction from gross income shall be allowed for dividends received. (See Section 220 of the Revenue Act of 1924.) [447]

OVERPAYMENT.

Tent.

C. De Mille to be credited hereto 454.24. [448]

Copy.

POSTAL.

Washington, D. C., March 13, 1925.

Mr. John H. Fisher
DeMille Studios
Culver City, Calif.

Extension April fifteen granted complete return of Cecil B. De Mille, Constance A. De Mille and Cecil B. De Mille Productions, Inc. calendar year 1924 provided tentative terms filed showing only name and address and estimated tax and payment made one-fourth tax by March seventeen. Any deficiency first installment will bear interest six per cent per annum from original due date. Attach copy this telegram tentative and completed returns. By direction Commissioner.

F. G. BRIGHT, Deputy Commissioner.

925A

Copy. [449]

COMPLETED RETURN

Form 1120
U. S. Internal Revenue
(Auditor's Stamp)

CORPORATION INCOME TAX RETURN
For Calendar Year 1925

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1926

Page 1 of Return

File Code 92
Serial Number 402964

RECEIVED FOR PRELIMINARY EXAMINATION
COLLECTOR OF INTERNAL REVENUE
6th District of California
MAY 15 1926
LOS ANGELES OFFICE
Cash Check M. O. Cert. of Ind.
First Payment

INTERNAL REVENUE AGENT IN CHARGE SEP 22 SAN FRANCISCO CALIFORNIA

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

C B DE MILLE PRODUCTIONS
(Name)
DE MILLES STUDIO 2351
(Street and Number)
CULVER CITY CALIFORNIA
(Post office and State)

Date of Incorporation JUNE 10 1922
Under the Laws of what State or Country CALIFORNIA

$ 9,987.72
Examined
By

KIND OF BUSINESS PRODUCERS OF MOTION PICTURES

IS THIS A CONSOLIDATED RETURN? NO

Item No.					
	GROSS INCOME				
1.	Gross Sales from Trading or Manufacturing, Less Returns and Allowances Less 3-12-26		52,30 12		
2.	Less Cost of Goods Sold:				
	(a) Inventory at beginning of year 363,605 62				
	(b) Merchandise bought for sale				
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)				
	(d) Total of lines (a), (b), and (c)				
	(e) Less inventory at end of year				
3.	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)				
4.	Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):				
	(a) SALARY CONTRACT WITH FAMOUS PLAYERS LASKY CORPORATION	67	310	00	
	(b) SALARY CONTRACT WITH C B DE MILLE PICTURES CORPORATION	189	000	00	
	(c)				
5.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds	2	181	04	
6.	Rents CAMERAS 1195 00 PROPS 769 04 YACHT 60 00	2	024	04	
7.	Royalties ACCRUED TO SEPT 30TH WITH FAMOUS PLAYERS LASKY PER CONTRACT	308	503	03	
8.	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)	11	229	37	
9.	Dividends on Stock of Domestic Corporations	17	063	76	
10.	Other Income (including dividends received on stock of foreign corporations). (State nature of income):				
	(a) CAMERA AND LIGHTING EQUIPMENT SALVAGED ON LASKY CONTRACT	20	000	00	
	(b)				
	(c)				
11.	TOTAL INCOME IN ITEMS 3 TO 10				617 311 24
	DEDUCTIONS				
12.	Compensation of Officers (From Schedule C)	56	400	00	
13.	Rent on Business Property				
14.	Repairs (From Schedule D) AND AUTO EXPENSE	1	107	18	
15.	Interest OTHER THAN REAL ESTATE CARRYING CHARGES	1	281	35	
16.	Taxes (From Schedule E) OTHER THAN REAL ESTATE CARRYING CHARGES	2	970	93	
17.	Losses by Fire, Storm, and Shipwreck (From Schedule F) STOCK IN TRUSTEES DEVELOPMENT COMPANY	2	250	00	
18.	Bad Debts (From Schedule G)	4	023	34	
19.	Dividends (From Schedule H)	17	063	76	
20.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I) OTHER THAN REAL EST	13	818	48	
21.	Depletion of Mines, Oil and Gas Wells, Timber, etc. AMORTIZATION OF LASKY CONTRACT	37	314	40	×
	AMORTIZATION OF PICTURE RIGHTS		500	00	
22.	Other Deductions Not Reported Above. (Explain below, or on separate sheet):				
	(a) Salaries and wages. (Not included in Item 2, 12, or 14 above)	15	333	35	
	(b) PRORATA OF INTEREST OWNED BY WM C DE MILLE IN N EST SUBDIVISION	3	800	00	
	(c) EXCESS OF CARRYING CHARGES OVER INCOME ON REAL EST HOLDINGS	28	447	07	×
	(d) YACHT EXPENSE FOR PRODUCTION AND PUBLICITY PURPOSES	17	398	83	×
	(e) KITCHEN AND DINING ROOM EXPENSE FOR BUSINESS GUESTS	2	314	02	×
	(f) OFFICE EX 1577 17 ADMINISTRATIVE EX 10820 89 STUDIO 267 16	12	665	22	×
23.	TOTAL DEDUCTIONS IN ITEMS 12 TO 22				216 687 93
24.	NET INCOME (Item 11 minus Item 23)				400 623 31

FIELD AUDIT Internal Revenue Agent

GH 52945 POSTING

COMPUTATION OF TAX

25.	Net Income (Item 24 above)		400	623	31	28.	Income Tax (12½% of Item 27)		52 081 03
26.	Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,250)					29.	If the Net Income of a Domestic Corporation is Less Than $25,250, Enter the Amount in Excess of $25,000		
27.	Balance (Item 25 minus Item 26)		400	623	31	30.	Total Tax (Item 28 plus Item 29)		52 081 03
31.	Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)								97 70
32.	Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation							52081 03	52 178 73
33.	Balance of Tax (Item 30 minus Items 31 and 32)								52 081 03

Credit 92.70

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

12,499.45

12,020.26

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

1. Kind of Property	2. Date Acquired	3. Amount Received	4. Depreciation Previously Allowed	5. Cost	6. Value as of March 1, 1913	7. Subsequent Improvements	8. Net Profit (Enter as Item 8)
			Amortization				
Stock F. P. Lasky	1920-23	$19,339.00	$ *	$11,542.36	$ *	$ *	$7,796.64
Picture rights—Strghrt.	1921	13,500.00	1,000.**	5,750.00	*	*	8,750.00
Stock L. A. Income Prop.	1924	29,050.00	*	33,200.00	*	*	(4,150.00 Loss)
Stock Phoenix Corp.	1924	3,893.88	*	5,001.54	*	*	(1,107.66 Loss)
Auto Cadillac	1923	1,400.00	1,069.39	2,529.00	*	*	(59.61 Loss)
		67,182.88	2,069.39	58,022.90	Net Gain		$11,229.37

State how property was acquired

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

1. Name of Officer	2. Official Title	3. Time Devoted to Business	Shares of Stock Owned		6. Amount of Compensation (Enter as Item 12)
			4. Common	5. Preferred	
C. B. De Mille	Pres.	All	2,199	.....	$15,000.00
Constance A. De Mille	V. Pres.	Part	1,000	.....	36,400.00
John H. Fisher	Secy. and Treas.	All	1	.....	5,000.00
				Total	$56,400.00

SCHEDULE D—COST OF REPAIRS
(See Instruction 14)

1. Items	2. Amount (Enter as Item 14)
Salaries and wages	$
Auto repairs, tires, gas, etc.	1,107.18

SCHEDULE E—TAXES PAID
(See Instruction 16)

1. Item	2. Amount (Enter as Item 16)
City and County	$ 626.19
State—Franchise	776.00
License	75.00
Auto and gasoline	81.14
Federal—Yacht	798.00
Club	6.60
Capital stock	608.00
Total	$2,970.93

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

1. Kind of Property

N O N E.

SCHEDULE G—BAD DEBTS
(See Instruction 18)

Only actual losses are claimed. No reserve is set up.

SCHEDULE H—DIVIDENDS DEDUCTIBLE
(See Instruction 19)

See attached Schedule.

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Age When Acquired	4. Probable Life After Acquirement	5. Cost	6. Value as of March 1, 1913	Amount of Depreciation Charged Off	
						7. Previous years	8. This year
Office Fur. and Fix.	Various	New	10 yr.	$ 1,597.85	$ *	$ 159.79	$ 159.79
Autos Buick	1924	New	4 yr.	1,800.00	*	*	450.00
Cadillac	1923	Used	4 yr.	2,529.00	7 Mo. 9 Da.	622.25	384.44
Cadillac	1925	New	4 yr.	3,600.00	4 Mo. 21 Da.	*	352.50
Air Craft Monoplane	1924	New	1 yr.	2,650.00	*	*	2,550.00
Yacht for business	1922	New	6⅔ yr.	66,145.03	*	9,921.75	9,921.75
					Total	$10,703.79	$13,818.48

(Attach a separate sheet if any of the above schedules do not provide sufficient space)

The amortization of the cost of the Lasky contract of $37,314.40 is due to the cancellation of the same the deduction for which would have fallen in one year but for the royalties which by the terms of the contract follow for a limited time on which this deduction is based.

Page 3 of Return

SCHEDULE K—BALANCE SHEETS (See Instruction 43)

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
ASSETS				
1. Cash		$ 58,195.02		$ 43,845.77
2. Notes receivable		18,337.01		39,933.85
3. Accounts receivable	$	20,399.79	$	14,517.07
Accrued Royalties Reable				308,503.03
4. Inventories:				
Raw materials	$		$	
Work in process				
Finished goods				
Supplies				
Props, jewels, etc.	33,028.50		33,028.50	
Life insurance premiums	10,784.00	43,812.50	16,176.00	49,204.50
5. Investments:				
Obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	$ 2,021.20		$ 2,021.20	
Securities issued under the Federal Farm Loan Act, or under such Act as amended				
Obligations of the United States or its possessions		2,021.20		2,021.20
6. Loans (describe fully):				
	$		$	

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
7. Deferred charges:				
Prepaid insurance	$		$	
Prepaid taxes				
Rentals receivable		66.75		1,047.38
8. Capital assets:				
Land		355,485.77		369,452.03
Buildings	$131,024.52		$131,024.52	
Machinery and equipment — Yacht monoplane	67,962.43		70,604.31	
Furniture and fixtures	1,651.45		2,813.18	
Delivery equipment	7,869.00		8,940.00	
Lasky contract	149,257.59		149,257.59	
Picture rights	7,500.00		2,500.00	
	$365,264.99		$365,139.60	
Less reserves for depreciation and depletion	128,215.92	237,049.07	184,699.49	180,440.11
9. Patents				
10. Good will				
11. Other assets (describe fully):				
Stock in other corporations	$117,573.18		$223,672.04	
Certificates of interest	29,511.54		4,610.00	
Bonds in domestic corporations	3,000.00		3,000.00	
Foreign corporations	1,008.78	151,093.50	1,008.78	232,290.82
12. Total Assets		$886,460.61		$1,241,255.76

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
LIABILITIES				
13. Notes payable and mortgages		$214,694.45		$178,142.95
14. Accounts payable		12,108.50		2,716.95
15. Accrued expenses (describe fully):				
Interest	$ 1,320.40		$ 1,358.72	
		1,320.40		1,358.72
16. Other liabilities (describe fully):				
	$		$	
17. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)	400,000.00	400,000.00	400,000.00	400,000.00
18. Surplus	$258,337.26		$659,037.14	
19. Undivided profits		258,337.26		659,037.14
20. Total Liabilities		$886,460.61		$1,241,255.76

Remarks: The $308,503.03 of accrued royalties refer to the Famous Players Lasky Corp. This accrual is as of Sept. 30th the remaining three months being indeterminate as of Dec. 31st pending the quarterly audit of their records as per terms of the contract.

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Page 4 of Return

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

1.	Net income from Item 24, page 1 of the return	$400,623.31
2.	Nontaxable income:	
	(a) Interest on obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	95.00
	(b) Interest on securities issued under the Federal Farm Loan Act, or under such Act as amended	.....
	(c) Interest on obligations of the United States or its possessions	.....
	(d) Dividends deductible under Section 234(a) 6 of the Revenue Act of 1924	17,063.76
	(e) Proceeds of life insurance policies paid upon the death of the insured	.....
	(f) Other items of nontaxable income (to be detailed):	
	(1)	.....
	(2)	.....
	(3)	.....
3.	Charges against reserve for bad debts, if Item 18, page 1 of return, is not an addition to a reserve	.....
4.	Charges against reserves for contingencies, etc. (to be detailed):	
	(a)	.....
	(b)	.....
	(c)	.....
5.	Total of Lines 1 to 4, inclusive	$417,782.07
6.	Total from Line 14	13,082.19
7.	Net profit for year as shown by books, before any adjustments are made therein (Line 5 minus Line 6)	$404,699.88
8.	Surplus and undivided profits as shown by balance sheet at close of preceding taxable year	258,337.26

9.	Other credits to surplus (to be detailed):		
	(a)		
	(b)		
	(c)		
10.	Total of Lines 7 to 9, inclusive		$663,037.14
11.	Total from Line 17		4,000.00
12.	Surplus and undivided profits as shown by balance sheet at close of taxable year (line 10 minus Line 11)		$659,037.14
13.	Unallowable deductions:		
	(a) Donations, gratuities, and contributions	$	275.00
	(b) Income and profits taxes paid to the United States, and so much of such taxes paid to its possessions or foreign countries as are claimed as a credit in Item 32, page 1 of the return		12,807.19
	(c) Special improvement taxes tending to increase the value of the property assessed		
	(d) Furniture and fixtures, additions, or betterments treated as expenses on the books		
	(e) Replacements and renewals		
	(f) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficiary		
	(g) Interest on indebtedness incurred or continued to purchase or carry obligations or securities (other than obligations of the United States issued after September 24, 1917, and originally subscribed for by the corporation) the interest upon which is wholly exempt from taxation		
	(h) Additions to reserve for bad debts which are not included in Item 18, page 1 of return		

(i) Additions to reserves for contingencies, etc. (to be detailed):

(1) .....

(2) .....

(3) .....

(j) Other unallowable deductions (to be detailed):

(1) .....

(2) .....

(3) .....

14. Total of Line 13 ..... $ 13,082.19

15. Dividends paid during the taxable year (state whether paid in cash, stock of this company, or other property):

(a) Date paid ..... Character ..... $ 4,000.00

(b) Date paid ..... Character .....

(c) Date paid ..... Character .....

(d) Date paid ..... Character .....

16. Other debits to surplus (to be detailed):

(a) .....

(b) .....

(c) .....

17. Total of Lines 15 and 16 ..... $ 4,000.00

QUESTIONS

KIND OF BUSINESS

[Not filled out.]

3. Answers:

(a) General class (use key letter designation) C.

(b) Main income-producing business (gives specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation). Motion picture producers.

AFFILIATIONS WITH OTHER CORPORATIONS

See Instruction 38

4. Does the corporation own 95 per cent or more of the outstanding voting capital stock of another domestic corporation or of other corporations? No.

5. Is over 95 per cent or more of your outstanding voting capital stock owned by another corporation? No.

6. Is 95 per cent or over of your outstanding voting capital stock as well as 95 per cent or over of the outstanding voting capital stock of another corporation or of other corporations owned or controlled by the same individual or partnership or by the same individuals, partnerships, or corporations in substantially the same proportion? No.

[Not filled out.]

PREDECESSOR BUSINESS

8. Did the corporation file a return under the same name for the preceding taxable year? Yes. If not, was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or the preceding taxable year? If answer is "yes," give name and address of each predecessor business.

BASIS OF RETURN

9. Is this return made on the basis of actual receipts and disbursements? If not, describe fully what other basis or method was used in computing net income. Accrual same as for prior years.

LIST OF ATTACHED SCHEDULES

10. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the corporation should be placed on each separate schedule accompanying the return.

Schedule H Dividends Deductable.
Item 22 C Real Estate Carrying Charges.
Item 22 F Office and Administrative Exp.

AFFIDAVIT

We, the undersigned, sec'y and treasurer and asst. sec'y of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year as stated, pursuant to the Revenue Act of 1924 and the Regulations issued under authority thereof.

A. G. RING
Acting Treas. & Sec'y

[Corporate Seal] GLADYS ROSSON
Asst. Sec'y

Sworn to and subscribed before me this 15th day of May, 1926.

[Notarial Seal] I. F. DAWSON
Notary Public.

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SCHEDULE

Dividends Received
Item 9

Americommercial Co.	$ 497.93
Bancitaly	112.50
Central Investment Co.	2,002.50
Elias Katz Shoe Co.	83.33
Famous Players Lasky	400.00
Grand Central Garage	1,100.00
L A Speedway Co.	5,250.00
Theatre Magazine	17.50
N Est Subdivision	7,600.00
Total	17,063.76

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OTHER DEDUCTIONS
Item 22 (c)

	Received	Depreciation	Taxes	Interest	Labor	Repairs & Mntnc.	Insurance	Legal Fees	Sundry Expense	Net Deductn
Fernangeles Store	$ 613.50	$ 312.18	$ 98.74			$ 192.58	$204.00	$ 4.15	$	198.15
N. side of Sunset	337.50		368.65	$ 700.00					$ 22.87	754.02
Hollywood Blvd.	60.00		454.22	831.25				66.90	17.78	1,310.15
Highland Ave.	1088.34	1,181.25								92.91
1628 Vine St.	753.93	233.34	243.23	1,361.12						1,083.76
Vine St. Theatre				300.25	$ 635.50					935.75
Sunset & Cahuenga	42.50		106.72						44.08	108.30
Laughlin Park	7,200.00	4,818.69	5,960.69	4,200.00	5,926.85	1,741.56	426.42			15,874.21
Various ranches	19.50	374.62	221.09	3,158.15	2,623.21	428.88	55.00	529.13	276.28	7,646.86
Ventura Blvd. lot			332.95	110.01						442.96
	$10,115.27	$6,920.08	$7,786.29	$10,660.78	$9,185.56	$2,363.02	$685.42	$600.18	$361.01	$28,447.07

SCHEDULE
DEPRECIATION OF REAL ESTATE

	Date acquired	Age when acquired	Probable life years	Cost	Depreciation charged off	
					Previous yr.	This yr.
Fernangels Store	1923	new	20	$ 6,243.57	$ 156.09	$ 312.18
Highland Ave.	1923	5 yr	20	23,625.01	1,181.25	1,181.25
1628 Vine St.	1923	5 yr	20	4,666.67	233.33	233.34
Laughlin Park	1923	5 yr	20	96,373.77	4,750.00	4,818.69
Ranch Bldgs.	1924	new	20	115.50		5.78
Ranch Fur. & Fix.	1924	new	10	53.60		5.36
Ranch Implements	1924	new	5	1,817.40	187.10	363.48
					Total as above	$6,920.08

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SCHEDULE
Office Exp.
Item 22 F

Stationery	$ 87.95
Telegrams	606.55
Postage	25.64
Insurance	25.00
Auditing	294.00
Business Dues and Sub	102.50
Rent of Safety Box	75.00
Exchange	27.00
Commissions	275.00
Sundry Exp.	58.53
	$1577.17

SCHEDULE
Administrative Expense
Item 22 F

Traveling Expenses	$ 9,474.69
Club Entertainment	77.60
Legal Fees	1,181.10
Chauffer	87.50
	$10,820.89
Europea	2,750.42
Trav.	6,724.27
	9,474.69

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Form 1120
U. S. Internal Revenue
(Auditor's Stamp)

TENTATIVE RETURN.

CORPORATION INCOME TAX RETURN
For Calendar Year 1925

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1926

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

Cecil B. de Mille Productions, Inc.
(Name)

do Mille Studio
(Street and Number)

Culver City, California
(Post office and State)

Date of Incorporation 1925

Under the Laws of what State or Country

Page 1 of Return

File Code

Serial Number 172
(Cashier's Stamp)

RECEIVED WITH REMITTANCE
MAR 15 1926
COLLECTOR OF INT. REV.
Cash Check M. O. Cert. of Ind.
Paid Per
$ 3250 00
Examined
By

KIND OF BUSINESS

IS THIS A CONSOLIDATED RETURN?

Item and Instruction No.

GROSS INCOME

1. Gross Sales from Trading or Manufacturing, Less Returns and Allowances																	
2. Less Cost of Goods Sold:																	
(a) Inventory at beginning of year																	
(b) Merchandise bought for sale																	
(c) Cost of manufacturing or otherwise producing goods (From Schedule A)																	
(d) Total of lines (a), (b), and (c)																	
(e) Less inventory at end of year																	
3. Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)																	
4. Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):																	
(a)																	
(b)																	
(c)																	
5. Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds																	
6. Rents																	
7. Royalties																	
8. Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)																	
9. Dividends on Stock of Domestic Corporations																	
10. Other Income (including dividends received on stock of foreign corporations). (State nature of income):																	
(a)																	
(b)																	
(c)																	
11. Total Income in Items 3 to 10																	

POSTING MAR 19 1926 DATE

POSTING MAR 19 1926 DATE

DEDUCTIONS

12. Compensation of Officers (From Schedule C)																	
13. Rent on Business Property																	
14. Repairs (From Schedule D)																	
15. Interest																	
16. Taxes (From Schedule E)																	
17. Losses by Fire, Storm, etc. (From Schedule F)																	
18. Bad Debts (From Schedule G)																	
19. Dividends (From Schedule H)																	
20. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)																	
21. Depletion of Mines, Oil and Gas Wells, Timber, etc.																	
22. Other Deductions Net Reported Above. (Explain below, or on separate sheet):																	
(a) Salaries and wages. (Not included in Item 2, 12, or 14 above)																	
(b)																	
(c)																	
(d)																	
(e)																	
(f)																	
23. Total Deductions in Items 12 to 22																	
24. Net Income (Item 11 minus Item 23)																100	000 00

COMPUTATION OF TAX

25. Net Income (Item 24 above)																100	000 00
26. Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,250)																	
27. Balance (Item 25 minus Item 26)																100	000 00
28. Income Tax (12½% of Item 27)																	
29. If the Net Income of a Domestic Corporation is Less Than $25,250, Enter the Amount in Excess of $25,000																	
30. Total Tax (Item 28 plus Item 29)																13	000 00
31. Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)																	
32. Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation																	
33. Balance of Tax (Item 30 minus Items 31 and 32)																	

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

1/4 = #3250

Page 2 of Return

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

[Not filled out.]

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

[Not filled out.]

SCHEDULE D—COST OF REPAIRS (See Instruction 14)

[Not filled out.]

SCHEDULE E—TAXES PAID (See Instruction 16)

[Not filled out.]

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

[Not filled out.]

SCHEDULE G—BAD DEBTS (See Instruction 18)

[Not filled out.]

SCHEDULE H—DIVIDENDS DEDUCTIBLE (See Instruction 19)

[Not filled out.]

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

[Not filled out.]

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Page 3 of Return

SCHEDULE K—BALANCE SHEETS (See Instruction 43)

[Not filled out.]

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Page 4 of Return

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

[Not filled out.]

AFFIDAVIT

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year as stated, pursuant to the Revenue Act of 1924 and the Regulations issued under authority thereof.

[Corporate Seal] ELLA KING ADAMS
President.
JOHN H. FISHER, Sec.

Sworn to and subscribed before me this 15th day of March, 1926.

[Notarial Seal] I. F. DAWSON,
Notary Public.

My commission expires May 8, 1927. [460]

Form 1120
U. S. INTERNAL REVENUE
(Auditor's Stamp)

CORPORATION INCOME TAX RETURN
For Calendar Year 1926

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1927

Page 1 of Return

File Code 92

Serial Number 402800

(Cashier's Stamp)
RECEIVED AND REMITTED
COLLECTOR OF INTERNAL REVENUE
6th District of California
MAR 15 1927
LOS ANGELES OFFICE
Cash Check or M. O. Chge. of Lost Pkge. Postage
$
Carded
As

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

C B DE MILLE PRODUCTIONS
(Name)
DE MILLE STUDIO
(Street and Number)
CULVER CITY CALIF
(Post office and State)

Date of Incorporation JUNE 10 1922

Under the Laws of what State or Country CALIFORNIA

Computation proved

KIND OF BUSINESS PRODUCERS OF MOTION PICTURES

IS THIS A CONSOLIDATED RETURN? NO

See Rules and Instructions 1(a)

GROSS INCOME

1. Gross Sales from Trading or Manufacturing, Less Returns and Allowances							
2. Less Cost of Goods Sold:							
(a) Inventory at beginning of year				334	871	25	
(b) Merchandise bought for sale							
(c) Cost of manufacturing or otherwise producing goods (From Schedule A)							
(d) Total of lines (a), (b), and (c)							
(e) Less inventory at end of year							
3. Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)							
4. Gross Profit from Operations Other Than Trading or Manufacturing (State source of income):							
(a) SALARY FROM C B DE MILLE PICTURE CORP				234	000	00	
(b)							
(c)							
5. Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds				11	078	56	
6. Rents				7	950	00	
7. Royalties				387	086	06	
8. Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)				52	178	74	
9. Dividends on Stock of Domestic Corporations				21	499	66	
10. Other Income (including dividends received on stock of foreign corporations). (State nature of income):							
(a) RANCH PRODUCE					595	69	
(b) EXCESS OF INCOME OVER CARRYING	SEE SCHEDULE				55	96	
(c) SUNDRY	SEE SCHEDULE			1	998	20	
11. TOTAL INCOME IN ITEMS 3 TO 10							716 442 87

DEDUCTIONS

12. Compensation of Officers (From Schedule C)				42	366	66	
13. Rent on Business Property							
14. Repairs (From Schedule D)							
15. Interest				7	740	00	
16. Taxes (From Schedule E)				10	806	83	
17. Losses by Fire, Storm, etc. (From Schedule F)							
18. Bad Debts (From Schedule G)				50	500	00	
19. Dividends (From Schedule H)				21	499	66	
20. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)				10	702	07	
21. Depletion of Mines, Oil and Gas Wells, Timber, etc. (Submit schedule, see Instruction 21)							
22. Other Deductions Not Reported Above. (Explain below, or on separate sheet): AMORTIZATION OF CONTRACT				21	693	85	
(a) Salaries and wages. (Not included in Item 2, 12, or 14 above)				24	331	33	
(b) Net Loss for prior year. (Submit schedule) STUDIO KITCHEN				1	436	92	
(c) REAL ESTATE EXPENSE 17455 39 AUTO 1726 14				19	181	53	
(d) YACHT EXP USED IN PRODUCTION				43	239	88	
(e) DIVISION OF INTEREST 3000 00 LIVESTOCK 1091 78				4	091	78	
(f) SUNDRY EXPENSE SEE SCHEDULE				15	943	27	
23. TOTAL DEDUCTIONS IN ITEMS 12 TO 22							273 933 78
24. NET INCOME (Item 11 minus Item 23)							442 509 09

COMPUTATION OF TAX

25. Net Income (Item 24 above)			442	509	09	28. Income Tax (13½% of Item 27)			59	738	73
26. Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,270)						29. If the Net Income of a Domestic Corporation is Less Than $25,270, Enter the Amount in Excess of $25,000					
27. Balance (Item 25 minus Item 26)			442	509	09	30. Total Tax (Item 28 plus Item 29)			59	738	73
31. Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)											
32. Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation											
33. Balance of Tax (Item 30 minus Items 31 and 32)									59	738	73

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

Page 2 of Return

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

1. Kind of Property	2. Date Acquired	3. Amount Received	4. Depreciation Allowable Since Acquisition	5. Cost	6. Value as of March 1, 1913	7. Subsequent Improvements	8. Net Profit (Enter as Item 8)
Ventura Blvd. Lots		$ 2,500.00	$	$ 1,117.67	$	Net loss	$ 1,382.33
Laughlin Park Lots		44,550.00		17,895.33			26,654.67
Stock Bancitaly—500 sh.		39,383.75		34,550.00			4,833.75
Stock Julian Oil Co.—4000 sh.		81,531.25		61,375.00			20,156.25
Stock Hutton Margin Acct.						$111.26	
Stock Bk. of I. Margin Acct.						252.00	

State how property was acquired

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

1. Name of Officer	2. Official Title	3. Time Devoted to Business	Shares of Stock Owned		6. Amount of Compensation (Enter as Item 12)
			4. Common	5. Preferred	
C. B. De Mille	Pres.	All	2997	.....	$ 6,166.66
C. A. De Mille	V. Pres.	Part	1000	.....	36,400.00
A. G. King	Mgr.	All	1	.....	.....
E. K. Adams	Secy.	Part	1	.....	.....
G. Rosson	Treas.	Part	1	.....	.....

SCHEDULE D—COST OF REPAIRS (See Instruction 14)

[Not filled out.]

SCHEDULE E—TAXES PAID (See Instruction 16)

1. Items	2. Amount (Enter as Item 16)
Federal—Admission	$ 38.60
Club	5.40
State—Auto License	9.00
Corp. License	75.00
Corp. Franchise	1,046.00
Gas and Oil	84.70
City and Co.—Property	9,548.13
Total	$10,806.83

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

[Not filled out.]

SCHEDULE G—BAD DEBTS (See Instruction 18)

1. Year	3. Bad Debts
Otto Bush	$ 500.00
Cinema Stock	50,000.00
Total	$50,500.00

SCHEDULE H—DIVIDENDS DEDUCTIBLE
(See Instruction 19)

[Not filled out.]

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Age When Acquired	4. Probable Life After Acquirement	5. Cost	6. Value as of March 1, 1913	Amount of Depreciation Charged Off	
						7. Previous years	8. This year
Real Est. Imp.	Various	Various	Various	$50,848.25	$	$16,434.41	$ 7,287.40
Fur. and Fix.	,,	,,	,,	11,155.97		565.26	608.69
Automobiles	,,	,,	,,	8,340.00		4,342.50	1,350.00
Livestock	,,	,,	,,	4,445.00			1,087.50
Implements	,,	,,	,,	2,021.40		550.58	368.48
							$10,702.07

Attach a separate sheet if any of the above schedules do not provide sufficient space.

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Page 3 of Return

SCHEDULE K—BALANCE SHEETS (See Instruction 43)

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
ASSETS				
1. Cash		$ 43,845.77		$155,840.06
2. Notes receivable		39,935.85		213,640.24
3. Accounts receivable	$ 14,517.07		$ 3,653.97	
Less reserve for bad debts		14,517.07		3,753.97
4. Inventories:				
Raw materials	$		$	
Work in process				
Finished goods				
Supplies				
5. Investments:				
Obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	$		$	
Securities issued under the Federal Farm Loan Act, or under such Act as amended				
Obligations of the United States or its possessions				
6. Loans (describe fully):				
	$		$	

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
7. Deferred charges:				
Prepaid insurance	$		$	
Prepaid taxes				
8. Capital assets:				
Land		369,452.03		388,896.15
Buildings	$131,024.52		$150,848.25	
Machinery and equipment	1,842.40		2,021.40	
Furniture and fixtures	2,813.18		11,155.97	
Delivery equipment	8,940.00		8,340.00	
Yacht	66,111.91		66,111.91	
Monoplane, Jan.				
Livestock, Dec.	2,650.00		4,445.00	
	$213,382.01		$242,922.53	
Less reserves for depreciation and depletion	55,635.75	157,746.26	72,804.60	170,117.93
9. Patents				
10. Good will				
11. Other assets (describe fully):				
Accrued rentals and royalties	$309,550.41		$ 8,142.58	
Stocks and bonds	234,312.02		589,491.51	
Premium on life insurance	16,176.00		21,568.00	
Dramatic property	55,722.35	615,760.78	34,028.50	653,230.59
12. Total Assets		$1,2412,55.76		$1,585,478.94

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
LIABILITIES				
Mtgs. payable		177,342.95		128,898.50
13. Notes payable		$ 800.00		$
14. Accounts payable		600.00		25,090.15
15. Accrued expenses (describe fully):				
Interest	$ 1,358.72		$ 713.93	
Rentals	2,116.95			
		3,475.67		713.93
16. Other liabilities (describe fully):				
	$		$	
17. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)	400,000.00	400,000.00	400,000.00	400,000.00
18. Surplus	$659,037.14		$1,030,776.36	
19. Undivided profits		659,037.14		1,030,776.36
20. Total Liabilities		$1,241,255.76		$1,585,478.94

Remarks .....

.....

.....

.....

[463]

Page 4 of Return

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

1.	Net income from Item 24, page 1 of the return	$ 442,509.09
2.	Nontaxable income:	
	(a) Interest on obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	49.14
	(b) Interest on securities issued under the Federal Farm Loan Act, or under such Act as amended	
	(c) Interest on obligations of the United States or its possessions	
	(d) Dividends deductible under Section 234(a) 6 of the Revenue Act of 1926	21,499.66
	(e) Proceeds of life insurance policies paid upon the death of the insured	
	(f) Other items of nontaxable income (to be detailed):	
	(1)	
	(2)	
	(3)	
3.	Charges against reserve for bad debts, if Item 18, page 1 of return, is not an addition to a reserve	
4.	Charges against reserves for contingencies, etc. (to be detailed):	
	(a)	
	(b)	
	(c)	
5.	Total of Lines 1 to 4, inclusive	$ 464,057.89
6.	Total from Line 14	52,318.67
7.	Net profit for year as shown by books, before any adjustments are made therein (Line 5 minus Line 6)	$ 411,739.22
8.	Surplus and undivided profits as shown by balance sheet at close of preceding taxable year	659,037.14

9.	Other credits to surplus (to be detailed):	
	(a)	
	(b)	
	(c)	
10.	Total of Lines 7 to 9, inclusive	$1,070,776.36
11.	Total from Line 17	40,000.00
12.	Surplus and undivided profits as shown by balance sheet at close of taable year (Line 10 minus Line 11)	$1,030,776.36
13.	Unallowable deductions:	
	(a) Donations, gratuities, and contributions	$ 242.85
	(b) Income and profits taxes paid to the United States, and so much of such taxes paid to its possessions or foreign countries as are claimed as a credit in Item 32, page 1 of the return	52,075.82
	(c) Federal taxes paid on tax-free covenant bonds	
	(d) Special improvement taxes tending to increase the value of the property assessed	
	(e) Furniture and fixtures, additions, or betterments treated as expenses on the books	
	(f) Replacements and renewals	
	(g) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficiary	
	(h) Interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest upon which is wholly exempt from taxation	
	(i) Additions to reserve for bad debts which are not included in Item 18, page 1 of return	

(j) Additions to reserves for contingencies, etc. (to be detailed):		
(1)		
(2)		
(3)		
(k) Other unallowable deductions (to be detailed):		
(1)		
(2)		
(3)		
14. Total of Line 13	$	52,318.67
15. Dividends paid during the taxable year (state whether paid in cash, stock of the corporation, or other property):		
(a) Date paid Character	$	20,000.00
(b) Date paid Character		20,000.00
(c) Date paid Character		
(d) Date paid Character		
16. Other debits to surplus (to be detailed):		
(a)		
(b)		
(c)		
17. Total of Lines 15 and 16	$	40,000.00

QUESTIONS

KIND OF BUSINESS

[Not filled out.]

3. Answers:

(a) General class (use key letter designation) C.

(b) Main income-producing business (give specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation).

Moving picture producer acting as principal.

AFFILIATIONS WITH OTHER CORPORATIONS

See Instruction 38

4. Does the corporation own 95 per cent or more of the outstanding capital stock of another domestic corporation or of other corporations? No.

5. Is over 95 per cent or more of your outstanding capital stock owned by another corporation? No.

6. Is 95 per cent or more of your outstanding capital stock as well as 95 per cent or more of the outstanding capital stock of another corporation or of other corporations owned or controlled by the same individual or partnership or by the same individuals, partnerships, or corporations in substantially the same proportion? No.

7. If the answer to questions 4, 5, and 6, or to any of them, is "yes," answer the following:

[Not filled out.]

PREDECESSOR BUSINESS

8. Did the corporation file a return under the same name for the preceding taxable year? Yes. If not, was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or the preceding taxable year? If answer is "yes," give name and address of each predecessor business.

BASIS OF RETURN

9. Is this return made on the basis of actual receipts and disbursements? Yes. If not, describe fully what other basis or method was used in computing net income.

LIST OF ATTACHED SCHEDULES

[Not filled out.]

AFFIDAVIT

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year as stated, pursuant to the Revenue Act of 1926 and the Regulations issued under authority thereof.

[Corporate Seal] CECIL B. deMILLE
President.

A. G. KING
Treasurer.

Sworn to and subscribed before me this 15th day of March, 1927.

[Notarial Seal] GLADYS ROSSON,
Notary Public,
in and for the County of Los Angeles, State of California.

My commission expires June 12, 1937. [464]

SCHEDULE—REAL ESTATE INCOME AND CARRY CHARGES OF JOINT VENTURES

	Net Loss	Net Gain
Fernangeles		$ 207.60
Highland Ave.		1,375.82
Hollywood Blvd.	$570.30	
N. side of Sunset	569.38	
Sunset and Cahunga	29.16	
1628 Vine St.	358.62	
	$1,527.46	$1,583.42
		1527.46
Net Gain		$ 55.96

SCHEDULE OF SUNDRY INCOME

Discount on purchase of Rose mtg.	$1,000.00
Discount on purchase of Berkowitz mtg.	602.75
Discount on purchase of Miller mtg.	367.95
Discount on purchase of bonds	12.50
Cancellation of unclaimed check	15.00
Net Gain	$1,998.20

[465a]

Stock—Inter. Con. Rubber—500 sh.	$6,867.50		$7,112.50	$245.00	
Bonds—Producer Corp.	3,090.00		3,000.00		90.00
Auto—Buick	570.00	$900.00	1,800.00	330.00	
			Totals	$938.26	$53,117.00
					938.26
				Net Gain	$52,178.74

[465b]

Item 19—Dividends Schedule 14

L A Speedway	5425 00
Americommercial	439 38
Central Investment	2136 00
Grand Central Garage	1250 00
Elias Katz Shoe Co.	367 78
Bancitaly	918 50
Marine Pkg. Co.	560 00
N East Sub.	6000 00
Elec. Products	313 50
Bk of Italy	1739 50
Metropolitan Mtg.	600 00
Happiness Candy	250 00
First Nat. Bk	175 00
N Pac R R	250 00
Tide Water Oil Co	150 00
N Am Theatres	500 00
Std Oil of Calif	100 00
Consolidated Royalties	75 00
United Verdi	150 00
Cal Pet	100 00
Total	21499 66

Item 22 F—Sundry Expenses

Periodicals		382 26
Research		624 50
Publicity		1476 25
Previewing		141 93
Reviewing		240 00
Kitchen Studio	15 58	
Food	307 19	1275 28
Chef	900 70	
Laundry	51 81	
Projecting		157 50
Tel and Tel		452 20
Stationery		116 46
Auto Hire		8 10
Typing		16 25
Dues		60 60
Traveling		4994 81
Insurance		153 00
Auditing		1466 00
Messenger		289 00
Chamber of Commerce		132 00
Rent of Mach		56 25
Safety Box		75 00
Legal Fee		2570 93
Repairs		4 00
Vermin		70 00
R E Dev Assn		222 30
Manager's Expense		890 63
Sundry		68 02
Total		15943 27

[465c]

40 2800

Form 1120
U. S. Internal Revenue
(Auditor's Stamp)

AMENDED RETURN

CORPORATION INCOME TAX RETURN
For Calendar Year 1926

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1927

Page 1 of Return

File Code

Serial Number August 100501 192

(Cashier's Stamp)

RECEIVED
AUG 5 1927
COLLECTOR OF INT. REV.
Cash Check or Money Order
First Payment $ 6907 50
Cards
As.

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

C B DE MILLE PRODUCTIONS
(Name)

DE MILLE STUDIO
(Street and Number)

CULVER CITY CALIF
(Post office and State)

Date of Incorporation JUNE 10 1922

Under the Laws of what State or Country CALIFORNIA

KIND OF BUSINESS PRODUCERS OF MOTION PICTURES

IS THIS A CONSOLIDATED RETURN? NO

AMENDED RETURN

Line and Instruction No.							
	GROSS INCOME						
1.	Gross Sales from Trading or Manufacturing, Less Returns and Allowances						
2.	Less Cost of Goods Sold:						
	(a) Inventory at beginning of year						
	(b) Merchandise bought for sale						
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)						
	(d) Total of lines (a), (b), and (c)						
	(e) Less inventory at end of year						
3.	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)						
4.	Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):						
	(a)						
	(b)						
	(c)						
5.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds						
6.	Rents						
7.	Royalties						
8.	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)						
9.	Dividends on Stock of Domestic Corporations						
10.	Other Income (including dividends received on stock of foreign corporations). (State nature of income):						
	(a) NET INCOME REPORTED IN ORIGONAL RETURN		442	509	09		
	(b) CINEMA STOCK LOSS CLAIMED AS A DEDUCTION IN ORIGONAL RETURN						
	(c) RESTORED AS A TANGIBLE ASSET DUE TO ITS SUBSEQUENT EXCHANGE		50	000	00		
11.	Total Income in Items 3 to 10 FOR OTHER STOCK HAVING A POTENTIAL VALUE					492	509 09
	DEDUCTIONS						
12.	Compensation of Officers (From Schedule C)						
13.	Rent on Business Property						
14.	Repairs (From Schedule D)						
15.	Interest						
16.	Taxes (From Schedule E)						
17.	Losses by Fire, Storm, etc. (From Schedule F)						
18.	Bad Debts (From Schedule G)						
19.	Dividends (From Schedule H)						
20.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)						
21.	Depletion of Mines, Oil and Gas Wells, Timber, etc. (Submit schedule, see Instruction 21)						
22.	Other Deductions Not Reported Above. (Explain below, or on separate sheet):						
	(a) Salaries and wages. (Not included in Item 2, 12, or 14 above)						
	(b) Net Loss for prior year. (Submit schedule)						
	(c)						
	(d)						
	(e)						
	(f)						
23.	Total Deductions in Items 12 to 23						
24.	Net Income (Item 11 minus Item 23)					492	509 09

40 2800 Prior

COMPUTATION OF TAX

25.	Net Income (Item 24 above)		492	509	09			
26.	Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,270)							
27.	Balance (Item 25 minus Item 26)		492	509	09			
28.	Income Tax (13½% of Item 27)						66	488 73
29.	If the Net Income of a Domestic Corporation is Less Than $25,270, Enter the Amount in Excess of $25,000							
30.	Total Tax (Item 28 plus Item 29)						66	488 73
31.	Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation) AMOUNT OF TAX REPORTED							
32.	Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation IN ORIGONAL RETURN						59	738 73
33.	Balance of Tax (Item 30 minus Items 31 and 32) AMOUNT OF ADDITIONAL TAX						6	750 00

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

Int. 157 50

6907 50

POSTING
DATE

Page 2 of Return

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

[Not filled out.]

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

[Not filled out.]

SCHEDULE D—COST OF REPAIRS (See Instruction 14)

[Not filled out.]

SCHEDULE E—TAXES PAID (See Instruction 16)

[Not filled out.]

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

[Not filled out.]

SCHEDULE G—BAD DEBTS (See Instruction 18)

[Not filled out.]

SCHEDULE H—DIVIDENDS DEDUCTIBLE (See Instruction 19)

[Not filled out.]

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

[Not filled out.]

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Page 3 of Return

SCHEDULE K—BALANCE SHEETS (See Instruction 43)

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
ASSETS				
1. Cash		$		$
2. Notes receivable				
3. Accounts receivable	$		$	
Less reserve for bad debts				
4. Inventories:				
Raw materials	$		$	
Work in process				
Finished goods				
Supplies				
5. Investments:				
Obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	$		$	
Securities issued under the Federal Farm Loan Act, or under such Act as amended				
Obligations of the United States or its possessions				
6. Loans (describe fully):				
	$		$	

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
7. Deferred charges:				
Prepaid insurance	$		$	
Prepaid taxes				
8. Capital assets:				
Land				
Buildings	$		$	
Machinery and equipment				
Furniture and fixtures				
Delivery equipment				
	$		$	
Less reserves for depreciation and depletion				
9. Patents				
10. Good will				
11. Other assets (describe fully):				
	$		$	
Stocks and bonds plus $50,000.00			639,491.51	
12. Total Assets		$		$
LIABILITIES				
13. Notes payable		$		$
14. Accounts payable				
15. Accrued expenses (describe fully):				
	$		$	

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
16. Other liabilities (describe fully):				
.....	$		$	
.....	.....		.....	
.....	.....		.....	
.....	.....	.....	.....	.....
17. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)	.....	.....	.....	.....
18. Surplus, plus $50,000.00	$		$1,080,776.36	
19. Undivided profits	.....	.....	.....	.....
20. Total Liabilities	$		$	

Remarks: All other extensions of the balance sheet reported in the original return remain as before only the adjustments are here given for convenience in reviewing this amendment.

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Page 4 of Return

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

[Not filled out.]

QUESTIONS

KIND OF BUSINESS

[Not filled out.]

AFFIDAVIT

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year as stated, pursuant to the Revenue Act of 1926 and the Regulations issued under authority thereof.

[Corporate Seal] CECIL B. DE MILLE
President.

A. G. KING
Treasurer.

Sworn to and subscribed before me this 4 day of August, 1927.

[Notarial Seal] GLADYS ROSSON,
Notary Public,

My commission expires June 12, 1930. [469]

Form 1120
U. S. Internal Revenue
(Collector's Stamp) ACT 1926

CORPORATION INCOME TAX RETURN
For Calendar Year 1927

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1928

Page 1 of Return

File Code 92

Serial Number 401126

Date (Collector's Stamp) MAR 14 1928 LOS ANGELES CAL. U. S. G. R.

Audit Check M. O. Cert. of Ind. First Payment

$ Cashed 4 76

As

138,217.60

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

C B DE MILLE PRODUCTIONS INC

(Trade Name)

DE MILLE STUDIO

(Street and Number)

CULVER CITY CALIFORNIA

(Post office and State)

Date of Incorporation JUNE 10 1922

Under the Laws of what State or Country CALIFORNIA

KIND OF BUSINESS PRODUCER OF MOTION PICTURES

IS THIS A CONSOLIDATED RETURN? NO

Item and Instruction No.					
	GROSS INCOME				
1.	Gross Sales less Trading or Manufacturing, Less Returns and Allowances				
2.	Less Cost of Goods Sold:				
	(a) Inventory at close of preceding year				
	(b) Merchandise bought for sale				
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)				
	(d) Total of lines (a), (b), and (c)				
	(e) Less inventory at end of year				
3.	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)				
4.	Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):				
	(a) PRODUCTION CONTRACT WITH C B DE MILLE PICTURES CORP	248	000	00	
	(b)				
	(c)				
5.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds	14	443	55	
6.	Rents	39	930	68	
7.	Royalties	30	404	15	
8.	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)				
9.	Dividends (State source of income)				
10.	Other Income (including dividends received on stock of foreign corporations). (State nature of income):				
	(a) SUNDRY INCOME	1	273	31	
	(b)				
	(c)				
11.	TOTAL INCOME IN ITEMS 3 TO 10				359 813 48
	DEDUCTIONS				
12.	Compensation of Officers (From Schedule C)	81	950	00	
13.	Rent on Business Property				
14.	REAL ESTATE CARRYING CHARGES	20	323	26	
15.	Interest	10	930	33	
16.	Taxes (From Schedule E)	10	625	65	
17.	JOINT OWNERSHIP LOSSES		727	14	
18.	Bad Debts (From Schedule G)		35	00	
19.	Dividends (From Schedule H)	25	761	79	
20.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)	2	958	27	
21.	AMORTIZATION	2	166	67	
22.	Other Deductions Not Reported Above. (Explain below, or on separate sheet):				
	(a) Salaries and wages. (Not included in Item 2, 12, or 14 above)	17	752	50	
	(b) Net Loss for prior year. (Submit schedule)				
	(c) TEMPEST THEATRE EXPENSE 5 020 12 YACHT EXPENSE 20 868 76	25	888	88	
	(d) KITCHEN EXPENSE 2 571 92 AUTOMOBILE EXPENSE 1 750 33	4	322	25	
	(e) TRAVELING EXPENSE 5 650 00 SUNDRY EXPENSES 9 668 91	15	318	91	
	(f)				
23.	TOTAL DEDUCTIONS IN ITEMS 12 TO 22				218 760 65
24.	NET INCOME (Item 11 minus Item 23)				141 052 83

COMPUTATION OF TAX

25. Net Income (Item 24 above)	141 052 83	27. Income Tax (13½% of Item 27)	19 042 13
26. Less Credit of $2,000 (for a domestic corporation having a net income of less than $25,270)		29. If the Net Income of a Domestic Corporation is Less Than $25,270, Enter the Amount in Excess of $25,000	
27. Balance (Item 25 minus Item 26)	141 052 83	30. Total Tax (Item 28 plus Item 29)	19 042 13
31. Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)			
32. Income and Profits Taxes Paid to a Foreign Country or to a Possession of the United States by a domestic corporation			
33. Balance of Tax (Item 30 minus Items 31 and 32)			19 042 13

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction [Illegible])

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

[Not filled out.]

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

1. Name of Officer	2. Official Title	3. Time Devoted to Business	Shares of Stock Owned		6. Amount of Compensation (Enter as Item 12)
			4. Common	5. Preferred	
C. B. De Mille	Pres.	All	2,997	.....	$26,000.00
C. A. De Mille	V. Pres.	Part	1,000	.....	43,900.00
A. G. King	Secy.	All	1	.....	12,050.00
			Total		$81,950.00

SCHEDULE D—COST OF REPAIRS
(See Instruction 14)

[Not filled out.]

SCHEDULE E—TAXES PAID
(See Instruction 16)

See attached schedule.

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

[Not filled out.]

SCHEDULE G—BAD DEBTS (See Instruction 18)

1922—Actual losses only are charged off.

SCHEDULE H—DIVIDENDS DEDUCTIBLE (See Instruction 19)

[Not filled out.]

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Age When Acquired	4. Probable Life After Acquirement	5. Cost (Exclusive of Land)	6. Value as of March 1, 1913 (Exclusive of Land)	Amount of Depreciation Charged Off	
						7. Previous years	8. This year
Real estate improvements	Various	Various	Various	$189,324.96	$	$23,721.81	$ 9,075.35
Furniture and fixtures	*	*	*	12,871.15		1,173.95	1,228.21
Automobiles	*	*	*	9,078.62		4,792.50	1,292.33
Livestock	*	*	*	4,445.00		1,087.50	1,089.50
Implements	*	*	*	2,389.92		919.06	423.23
Poultry	*	*	*	2,527.50		*	*
Yacht	*	*	*	38,598.86		41,109.78	*
Totals				$259,236.01		$72,804.60	$13,108.62

Attach a separate sheet if any of the above schedules do not provide sufficient space

Page 3 of Return

SCHEDULE K—BALANCE SHEETS (See Instruction 43)

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
ASSETS				
1. Cash		$155,840.06		$169,327.66
2. Notes receivable		213,640.24		216,206.41
3. Accounts receivable	$ 3,753.97		$ 1,981.03	
Less reserve for bad debts		3,753.97		1,981.03
4. Inventories:				
Raw materials	$		$	
Work in process				
Finished goods				
Supplies				
5. Investments:				
Obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	$		$	
Securities issued under the Federal Farm Loan Act, or under such Act as amended				
Obligations of the United States or its possessions				
6. Loans (describe fully):				
	$		$	

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
7. Deferred charges:				
Prepaid insurance	$		$	
Prepaid taxes				
8. Capital assets:				
Land		388,896.15		418,494.72
Buildings	$150,848.25		$189,324.96	
Machinery and equipment	2,021.40		2,389.92	
Furniture and fixtures	11,155.97		12,871.15	
Delivery equipment	8,340.00		9,078.62	
Yacht	66,111.91		38,598.86	
Livestock	4,445.00		6,972.50	
	$242,922.53		$259,236.01	
Less reserves for depreciation and depletion	72,804.60	170,117.93	85,913.22	173,322.79
9. Leasehold				18,333.33
10. Memberships and picture rights		1,000.00		2,500.00
11. Other assets (describe fully):				
Stocks and bonds	$639,491.51		$721,338.45	
Accrued royalties	8,142.58			
Premium on life insurance	21,568.00		26,960.00	
Dramatic property	33,028.50	702,230.59	33,028.50	781,326.95
12. Total Assets		$1,635,478.94		$1,781,492.89
LIABILITIES				
13. Notes payable and mortgages		$128,898.50		$215,558.50
14. Accounts payable		25,090.15		30,977.71

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
15. Accrued expenses (describe fully):				
Interest	$ 713.93		$	
		713.93		
16. Other liabilities (describe fully):				
	$		$	
17. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)	400,000.00	400,000.00	400,000.00	400,000.00
18. Surplus	$1,080,776.36		$1,134,956.68	
19. Undivided profits		1,080,776.36		1,134,956.68
20. Total Liabilities	$1,635,478.94	$1,635,478.94		$1,781,492.89

Remarks: On the $13,108.62 in depreciation taken $1,075.00 was on a fancy horse and not claimed as a tax deduction. The depreciation on the yacht appears excessive but this condition is only temporary due to a fire and the crediting of insurance against the original cost. The restoration costs will restore this account to its normal condition.

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Page 4 of Return

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

1. Net income from Item 24, page 1 of the return	$	141,052.83
2. Nontaxable income:		
(a) Interest on obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia		782.42

(b)	Interest on securities issued under the Federal Farm Loan Act, or under such Act as amended	
(c)	Interest on obligations of the United States or its possessions	
(d)	Dividends deductible under Section 234(a) 6 of the Revenue Act of 1926	25,761.79
(e)	Proceeds of life insurance policies paid upon the death of the insured	
(f)	Other items of nontaxable income (to be detailed):	
	(1)	
	(2)	
	(3)	
3.	Charges against reserve for bad debts, if Item 18, page 1 of return, is not an addition to a reserve	
4.	Charges against reserves for contingencies, etc. (to be detailed):	
	(a)	
	(b)	
	(c)	
5.	Total of Lines 1 to 4, inclusive	$ 167,597.04
6.	Total from Line 14	73,416.72
7.	Net profit for year as shown by books, before any adjustments are made therein (Line 5 minus Line 6)	$ 94,180.32
8.	Surplus and undivided profits as shown by balance sheet at close of preceding taxable year	1,080,776.36
9.	Other credits to surplus (to be detailed):	
	(a)	
	(b)	
	(c)	
10.	Total of Lines 7 to 9, inclusive	$1,174,956.68
11.	Total from Line 17	40,000.00
12.	Surplus and undivided profits as shown by balance sheet at close of taxable year (Line 10 minus Line 11)	$1,134,956.68

13. Unallowable deductions:

(a) Donations, gratuities, and contributions	$	
(b) Income and profits taxes paid to the United States, and so much of such taxes paid to its possessions or foreign countries as are claimed as a credit in Item 32, page 1 of the return		69,956.42
(c) Federal taxes paid on tax-free covenant bonds		
(d) Special improvement taxes tending to increase the value of the property assessed		
(e) Furniture and fixtures, additions, or betterments treated as expenses on the books		
(f) Replacements and renewals		
(g) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficairy		
(h) Interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest upon which is wholly exempt from taxation		
(i) Additions to reserve for bad debts which are not included in Item 18, page 1 of return		
(j) Additions to reserves for contingencies, etc. (to be detailed):		
(1)		
(2)		
(3)		
(k) Other unallowable deductions (to be detailed):		
(1) Kitchen expense		857.30
(2) Fancy livestock expense		1,528.00
(3) Fancy livestock depreciation		1,075.00
14. Total of Line 13	$	73,416.72
15. Dividends paid during the taxable year (state whether paid in cash, stock of the corporation, or other property):		
(a) Date paid ..... Character	$	20,000.00

(b) Date paid	Character	20,000.00
(c) Date paid	Character	.....
(d) Date paid	Character	.....
16. Other debits to surplus (to be detailed):		
(a)		.....
(b)		.....
(c)		.....
17. Total of Lines 15 and 16		$ 40,000.00

QUESTIONS

KIND OF BUSINESS

[Not filled out.]

3. Answers:

(a) General class (use key letter designation) C.

(b) Main income-producing business (give specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation). Motion picture producer acting as principal.

AFFILIATIONS WITH OTHER CORPORATIONS

See Instruction 38

4. Does the corporation own 95 per cent or more of the outstanding capital stock of another domestic corporation or of other corporations? No.

5. Is over 95 per cent or more of your outstanding capital stock owned by another corporation? No.

6. Is 95 per cent or more of your outstanding capital stock as well as 95 per cent or more of the outstanding capital stock of another corporation or of other corporations owned or controlled by the same individual or partnership or by the same individuals, partnerships, or corporations in substantially the same proportion? No.

7. If the answer to questions 4, 5, and 6, or to any of them, is "yes," answer the following:

[Not filled out.]

PREDECESSOR BUSINESS

8. Did the corporation file a return under the same name for the year preceding taxable year? Yes. Was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or any prior year since December 31, 1917? If answer is "yes", give name and addresss of each predecessor business, and the date of the change in entity. Upon such change were any asset values increased or decreased? If the answer is "yes", closing balance sheets of old business and opening balance sheets of new business must be furnished.

BASIS OF RETURN

9. Is this return made on the basis of actual receipts and disbursements? Yes. If not, describe fully what other basis or method was used in computing net income.

LIST OF ATTACHED SCHEDULES

10. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the taxpayers should be placed on each separate schedule accompanying the return.

Item 6 Interest received
" 7 Royalties received
" 8 Profit on sales

"	9	Dividends received
"	10	Sundry income
"	14	Real estate carrying charge
"	15	Interest paid
"	16	Taxes paid
"	17	Losses on joint ownership
"	18	Bad debts
"	20	Depreciation
"	21	Amortization
"	22	Traveling expenses
"	22	Sundry expenses

AFFIDAVIT

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year as stated, pursuant to the Revenue Act of 1926 and the Regulations issued under authority thereof.

[Corporate Seal] CECIL B. DE MILLE
President.

A. G. KING
Secretary.

Sworn to and subscribed before me this 13th day of March, 1928.

[Notarial Seal]
GLADYS ROSSON
Notary Public
in and for the County of Los Angeles,
State of California.

My commission expires June 12, 1930. [473]

ITEM 6

Interest Received

Key System Transit	550.00
Harriman Bldg.	300.00
Hearst Publications	180.00
Golden State Milk	150.00
Pan American	150.00
Amer. Ins. Bldg.	300.00
Commercial Natl. Bk.	1,212.39
Bk. of Italy and Bk. of America	1,510.88
Bowery & East River	419.52
Federal Trust	11.50
Bancitaly	22.75
Kingdom of Italy	66.11
Republic of Bolivia	80.00
E. B. McGaffey	354.36
Henry Stockbridge	50.56
G. H. Flebbe	648.69
James Downen	359.34
Thos. Walton	643.39
F. C. Van Deinse	956.67
Fred Geissler	525.00
C. O. Raynsford	247.88
A. & E. Berkowitz	1,177.37
John & Mary Miller	162.73
E. H. Willey	973.35
J. M. Leisen	69.37
F. S. Hilpert	262.90
San Pedro St. Realty Co.	1,591.68
K. Lyne	120.00
E. F. Hutton	308.83
F. M. Andreani	837.78
Frederick Saurin	3.39
A. G. King	100.00
Jeanie MacPherson	34.55
Equitable Investment Co.	196.02
Ventura Escrow	45.21
Accrued int. on 200 shrs. United Bank & Trust	124.92
Accrued int. on five L. A. Elec. 4½'s	53.75
TOTAL	14,443.55

ITEM 7

Royalties

Ten Commandments	32,418.30
Country Doctor	1,929.83
His Dog	1,146.58
Fighting Eagle	1,579.53
Dress Parade	818.30
Angel of Broadway	659.32
The Wreck of the Hesperus	356.14
The Wise Wife	304.45
The Forbidden Woman	264.96
The Girl in Pullman	240.18
The Main Event	179.88
The Rush Hour	17.03
Almost Human	16.18
TOTAL	39,930.68

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ITEM 9

Dividends Received

Bank of Italy	3,994.11
Bancitaly	2,094.40
Calif. Pet.	250.00
Central Investment	1,869.00
Consolidated Royalties	285.00
Elias-Katz	820.00
Elec. Products	546.46
First Natl. Bank	825.00
Grand Central Garage	1,100.00
General Motors	875.00
Happiness Candy	376.56
Los Angeles Speedway	4,725.00
Metropolitan Mtge.	800.00
Northern Pacific Ry.	1,000.00
Producers International	695.41
Pacific Mutual	243.35
Pathe	1,000.00

Standard Oil of Calif.	262.50
Tide Water	600.00
United Verde	600.00
United Bank of Italy	175.00
U. S. Steel	525.00
Union Oil Co.	2,000.00
Westinghouse	100.00
TOTAL	25,761.79

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ITEM 10 (a)

Sundry Income

Discount on Note	600.00
Bonus on Loan	540.00
Stock Rights	7.50
Collected on Bad Debts	125.81
TOTAL	1,273.31

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Kind of Property	Amount Received	Cost	Depreciation	Repairs	Gen. Exp.	Net Profit
Laughlin Park	7,200.00	198,185.23	5,294.18	5,021.39	7,763.22	10,878.79
2338 Observatory	900.00	19,883.33	742.20	17.50	92.60	47.70
Highland Ave.	3,862.19	70,451.65	1,993.22		14.19	1,854.78
Hollywood Blvd.		30,227.68				
Fernangeles		7,923.57	312.18			312.18
Oakhurst		12,426.16			211.59	211.59
N. Side Sunset		25,922.06				
S. Side Sunset		7,621.41			39.48	39.48
Ventura Blvd.		3,203.99				
1628 Vine St.		26,770.92	233.34			233.34
Income City Property	11,962.19					

Craighurst Ranch		(28,359.01	)			
Cereghino Ranch		(5,020.50	)			
Olmstead Ranch		(30,022.00	)			
—mter Ranch	3,259.51	(50,465.00	80.64)	556.87	12,752.77	10,550.36
Wyatt Ranch		(25,014.02	11.55)			
Wyckoff Ranch		(32,220.20	408.04)			
Zens Ranch		(34,102.95	)			
Total Income	15,221.70					
" Investment		607,819.68				
" Depre. on Improvements			9,075.35			
" Repairs				5,595.76		
" Gen. Expense					20,873.85	
Net Loss as a carrying charge on property held as an investment						20,323.26

NOTE: The tax on Carrying Charge is found in Item 16 of 6,601.93
The interest " " is found in Item 15 of 8,131.83

14,733.76

ITEM 15

Interest Paid

Sec. Tr. & Sav. Bank	Zens Ranch	567.78
Pac. Mut. Life Ins. Co.	Laughlin Park	2,205.00
Bank of Italy	Highland Ave.	981.71
Bank of Italy	Hollywood Blvd.	427.30
Federal Tr. & Sav. Bank	N. Side Sunset	600.84
Pac. S. W. Tr. & Sav. Bank	Wyatt Ranch	213.75
John A. Hunter	Hunter Ranch	2,154.58
C. & M. L. Cereghino	Cereghino Ranch	234.11
John E. Olmstead	Olmstead Ranch	746.76
As a real estate carrying charge		8,131.83
Bank of Italy	On loans	1,316.70
Bank of Italy	On loans	476.56
U. S. Treasury	On deferred tax	1,005.24
TOTAL		10,930.33

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ITEM 16

Taxes Paid

City & County	
Ventura Blvd.	76.13
Highland Ave.	339.62
Oakhurst Drive	107.17
Observatory Ave.	361.73
Laughlin Park	5,211.28
Olmstead Ranch	20.81
Hunter Ranch	160.91
Wyatt Ranch	97.20
Wyckoff "	97.85
Zens Ranch	119.71
Cereghino Ranch	9.52
As a real estate carrying charge	6,601.93
Personal Property	2,202.56
Yacht	502.50

State	
Corporation Tax	75.00
Franchise "	1,012.50
Gasoline "	70.80
Federal	
Admission Tax	16.00
Club Dues "	44.36
Transfer "	100.00
TOTAL	10,625.65

[480]

ITEM 17

Losses on Joint Ownership

Fernangeles	165.60
Hollywood Blvd.	367.95
N. Side of Sunset	322.74
S. Side of Sunset	59.04
	915.33
Less	
1628 Vine St.	188.19
	727.14

NOTE: Distributive share of operating loss on property held jointly.

[481]

ITEM 18

Bad Debts

Bert Lynch	35.00
TOTAL	$35.00

[482]

ITEM 20

Depreciaiton

	Date Acquired	Rate	Cost	Amount of Depreciation Previous Years	This Year
Furn. & Fix.					
Office	Various	10	12,095.77	1,153.85	1,127.71
Dining Room	"	10	184.23	9.38	18.42
Ranch House	"	20	229.65	10.72	45.93
Yacht	"	10	361.50	.....	36.15
TOTAL FURN. & FIX.				1,173.95	1,228.21
Automobiles					
Cadillac	1925	25	3,600.00	1,252.50	900.00
Dodge	1927	25	738.62	.....	92.33
Franklin	1926	25	1,200.00	.....	300.00
Locomobile	1920	.....	3,540.00	3,540.00	.....
TOTAL AUTOS				4,792.50	1,292.33
Livestock					
Ranch	Various	10	145.00	12.50	14.50
Implements					
Ranch	Various	20	2,389.92	919.06	423.23
TOTAL taken under Item 20				.....	2,958.27
Real Estate					
Fernangeles	1924	5	6,243.57	780.45	312.18
Highland Ave.	1923	5	45,277.45	3,543.75	1,993.22
Laughlin Park	1923	5	105,883.62	18,005.69	5,294.18
Observatory Ave.	1926	5	14,844.03	680.35	742.20
Vine St.	1923	5	4,666.67	700.01	233.34
Hunter Ranch	1925	20	806.40	.....	80.64
Wyatt Ranch	1924	10	115.50	11.56	11.55
Wyckoff Ranch	1926	20	4,080.38	.....	408.04
TOTAL taken under Item 14				23,721.81	9,075.35

[483]

ITEM 21

Amortization

Picture Rights	500.00
Leasehold	
Tempest Theatre—10 yr. lease	
Cost $20,000.00 for 10 mos.	1,666.67
TOTAL	2,166.67

[484]

ITEM 22 (e)

Traveling Expense

C. B. DeMille		
New York		1,523.49
A. G. King		
Arizona	66.70	
Arizona	73.03	
Kansas City	212.95	
San Francisco	76.06	
Auto	612.18	1,040.92
N. S. McCarthy		
New York		1,043.92
Ed McNeary		
New York		925.00
Gladys Rosson		
New York		523.93
A. Umiker		
New York		592.74
TOTAL		5,650.00

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ITEM 22 (2)

Sundry Expenses

Publicity	3,866.16
Fees	1,000.00
Projecting	35.00
Auditing	971.50
Research	200.50
Investigation	232.92
Auto Hire	21.05
Financial Service & Sub.	340.88
Chamber of Commerce	440.00
Tel. & Tel.	15.99
Stationery	128.70
Advertising	900.00
Deposit Box	75.00
Business Clubs	452.03
Flowers	265.45
Legal Fees	396.50
Sundry Expense	327.23
TOTAL	$9,668.91

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Kind	Date Acquired	Amount Received	Depreciation Taken	Cost	Net Profit
Ventura, Lots 381-2-3-4-353	9/ 2/24	2,628.32		1,534.93	1,093.39
Laughlin Park, Lots 1-2-3-8	11/23/21	48,334.16		22,246.42	26,087.74
Fernangeles, Return of Cap.		529.96			529.96
Ventura, Lots 385-6	9/ 2/24	959.15		447.07	512.08
Cafe Furniture	5/23/25	564.70		550.00	14.70
100 shrs. Stand. Oil of K.	9/20/26	1,714.00		2,100.00	386.35
1000 " Union Oil	12/31/26	41,465.00		53,137.50	11,672.50
200 " Cal. Pet.	4/ 4/27	5,153.00		5,295.00	917.00
100 " Stand. Oil of Calif.	4/ 4/27	5,448.50		5,522.50	774.00
100 " Julian Pet.	2/29/27	504.00		1,150.00	646.00
..... Klag Bay	9/30/24			3,000.00	3,000.00
—0 " Bancitaly		39,753.00		28,431.52	11,321.48
5 M. Kingdom of Italy	10/ 1/26	4,765.00		4,587.50	177.50
100 shrs. Seaboard	1/ 3/27	3,873.50		3,722.50	151.00
..... Atlantic Coast	1/ 3/27	19,466.00		18,632.90	833.10
1000 " Julian Pet.	2/29/27	8,352.50		8,200.00	152.50
132 " Bancitaly		14,484.74		9,382.40	5,102.34
500 " Pathe	4/27/27	24,117.50		22,600.00	1,517.50
200 " Loews	6/30/27	10,172.00		10,045.00	127.00
100 " Westinghouse	4/29/27	8,625.50		7,222.50	1,403.00
600 " Happiness Candy	3/23/26	3,091.00		3,965.00	874.00
400 " " "	3/23/26	1,984.00		2,650.00	666.00

	Kind	Date Acquired	Amount Received	Depreciation Taken	Cost	Net Profit
—0	shrs. Timpkins	8/ 4/27	64,005.00		69,850.00	5,845.00
500	" Loews	6/30/27	27,517.50		25,612.50	1,905.00
100	" U. S. Steel	8/29/27	14,391.00		14,155.00	236.00
1000	" Union Oil	11/ 5/26	8,378.00		8,438.00	60.00
200	" Pan Western	3/28/27	3,947.00		4,982.50	1,035.50
1000	" Pathe	9/12/27	5,447.50		9,470.20	4,022.70
100	" Western Elec.	8/29/27	8,475.50		8,022.50	453.00
.....	First Natl. Bk.	8/ 5/26	21,644.50		20,000.00	1,644.50
5	M. Pan Am.	11/ 6/26	4,686.55		4,975.00	288.45
1000	shrs. Pathe	9/13/27	26,435.00		38,694.99	12,259.00
400	" Pathe	9/13/27	9,944.00		15,477.60	5,533.60
.....	Pathe	10/10/27	3,575.95			3,575.95
500	" Chrysler	10/25/27	27,992.50		26,612.50	1,380.00
—0	" Hupmobile	11/25/27	15,885.50		11,300.00	4,585.50
300	" Pathe	9/13/27	7,370.50		11,608.20	4,237.70
200	" Calif. Pet.	4/ 4/27	4,478.00		5,295.00	817.00
100	" Tide Water	7/23/27	8,723.50		9,750.00	1,026.50
100	" Pathe	9/13/27	2,373.50		3,869.40	1,495.90
300	" U. S. Steel	10/ 8/27	44,185.50		42,502.50	1,683.00
600	" Gen. Motors	10/ 5/27	77,814.00		78,317.50	503.50
100	" Bancitaly		13,464.50		7,807.29	5,657.21
100	" United Bank	11/14/27	78,318.50		75,738.00	2,579.50
100	" Bank of Italy		24,014.50		9,777.45	14,237.05

Kind	Date Acquired	Amount Received	Depreciation Taken	Cost	Net Profit
100 shrs. Fleischman	10/ 4/27	6,686.00		6,422.50	263.50
300 shrs. Gold Dust	10/29/27	21,520.50		20,167.50	1,353.00
100 " Del. & Hudson	12/ 2/27	18,666.00		18,630.00	36.00
100 " Pathe	9/13/27	2,373.50		3,869.40	1,495.90
100 " Pathe	9/13/27	2,373.50		3,869.40	1,495.90
100 " Gen. Motors	10/ 5/27	13,419.00		13,630.00	211.00
100 " Bancitaly		13,319.00		7,807.29	5,511.71
Com. & Interest					4,456.56
TOTAL					30,404.15

FIELD Ex. of time granted

Form 1120
U. S. INTERNAL REVENUE
(Auditor's Stamp)

CORPORATION INCOME TAX RETURN
For Calendar Year 1928

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1929

Page 1 of Return

File Code 92

Serial Number 402707
(Cashier's Stamp)

RECEIVED WITH REMITTANCE
COLLECTOR OF INTERNAL REV
6th District of Calif
MAR 26 1929
Cash Check Draft Money Order
First Payment
U.S.

$
Cardex
No.

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

CECIL B. DE MILLE PRODUCTIONS INC.
(Name)

METRO GOLDWYN MAYER STUDIO
(Street and number)

CULVER CITY CALIFORNIA
(Post office and State)

Date of Incorporation JUNE 10 1922

Under the Laws of what State or Country CALIF

Kind of Business PRODUCER OF MOTION PICTURES

Is This a Consolidated Return of Two or More Corporations? NO

Item and Instruction No.									
	GROSS INCOME								
1.	Gross Sales from Trading or Manufacturing, Less Returns and Allowances						$	1,492	901
2.	Less Cost of Goods Sold:								
	(a) Inventory at close of preceding year	$							
	(b) Merchandise bought for sale								
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)								
	(d) Total of lines (a), (b), and (c)		387	599	80				
	(e) Less inventory at end of year								
3.	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)						$		
4.	Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):								
	(a)								
	(b)								
	(c)								
6.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds							15 652	36
	Rents								
7.	Royalties							108 671	73
8.	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)							582 749	48
9.	Dividends on Stock of Domestic Corporations							33 594	82
10.	Other Income (Including dividends received on account of foreign corporations) (State nature of income):								
	(a) PRODUCTION CONTRACTS							309 652	99
	(b) USE OF PRODUCTION EQUIPMENT							4 392	54
	(c) MSCL INCOME							4 543	51
11.	TOTAL INCOME IN ITEMS 3 TO 10								$ 1 059 157 43
	DEDUCTIONS								
12.	Compensation of Officers (From Schedule C)						$	176 912	52
13.	EXCESS OF CARRYING CHARGES OVER INCOME CITY PROP							17 635	46
14.	EXCESS OF CARRYING CHARGES OVER INCOME RANCH PROP							9 902	31
15.	Interest SEE 13 AND 14 FOR INTEREST ON REAL ESTATE							4 835	00
16.	Taxes (From Schedule E) SEE 13 AND 14 FOR TAXES ON REAL ESTATE							6 716	96
17.	Losses (From Schedule F) WORTHLESS CORPORATION STOCK							10 000	00
18.	Bad Debts (From Schedule G)							16 131	14
19.	Dividends (From Schedule H)							33 594	82
20.	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I) OTHER THAN ON BUILDINGS							1 848	92
21.	AMORTIZATION OF PICTURE RIGHTS (Submit schedule, see Instruction 21)							500	00
22.	Other Deductions Not Reported Above. (Explain below, or on separate sheet):								
	(a) Salaries and wages. *(Not included in Item 2, 12, or 14 above)							19 873	35
	(b) BUSINESS ENTERTAINMENT KITCHEN							2 707	04
	(c) BUSINESS ENTERTAINMENT ON YACHT							24 827	12
	(d) PUBLICITY 5993 90 SUBSCRIPTIONS 216 50							6 210	40
	(e) AUTO EXPENSE 3555 23 TRAVELING EXPENSE 1366 18							4 921	41
	(f) MSCL EXPENSE							6 046	79
23.	TOTAL DEDUCTIONS IN ITEMS 12 TO 22								$ 342 663 24
24.	NET INCOME (Item 11 minus Item 23)								$ 716 494 19

COMPUTATION OF TAX

25.	Net Income (Item 24 above)	$	716	494	19	28.	Income Tax (12% of Item 27)	$	85 979 30
26.	Less Credit of $3,000 ((for a domestic corporation having a net income of less than $25,360)					29.	If the Net Income of a Domestic Corporation is less than $25,360, enter the amount in excess of $25,000		
27.	Balance (Item 25 minus Item 26)	$	716	494	19	30.	Total Tax (Item 28 plus Item 29)	$	85 979 30
31.	Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)							$	
32.	Income and Profits Taxes Paid to a Foreign Country or United States possession by a domestic corporation (see Inst. 27)								
33.	Balance of Tax (Item 30 minus Items 31 and 32)							$	85 979 30

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

1—14843

INTERNAL REVENUE AGENT'S BRANCH RECEIVED JUL 27 1929

Page 2 of Return

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

See Schedule Attached.

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

1. Name of Officer	2. Official Title	3. Time Devoted to Business	Shares of Stock Owned		6. Amount of Compensation (Enter as Item 12)
			4. Common	5. Preferred	
Cecil B. De Mille	Pres.	All	5,794	.....	$110,583.35
Constance A. De Mille	V. Pres.	Part	2,000	.....	44,200.00
A. G. King	Secy. Treas.	All	2	.....	15,600.00
Gladys Rosson	Asst. Secy.	All	2	.....	6,529.17
			7798		Total $176,912.52

SCHEDULE D—COST OF REPAIRS
(See Instruction 14)

[Not filled out.]

SCHEDULE E—TAXES PAID
(See Instruction 16)

1. Items	2. Amount (Enter as Item 16)
State Corporation	$1,624.50
State Gasoline	85.91
State Auto License	16.00
Federal Stamp and Club	513.43
City County Personal Property	4,477.12
Total	$6,716.96

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

None.

SCHEDULE G—BAD DEBTS
(See Instruction 18)

Actual losses only are charged off. See schedule.

SCHEDULE H—DIVIDENDS DEDUCTIBLE
(See Instruction 19)

See schedule attached.

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Age When Acquired	4. Probable Life After Acquirement	5. Cost (Exclusive of Land)	6. Value as of March 1, 1913 (Exclusive of Land)	Amount of Depreciation Charged Off	
						7. Previous Years	8. This Year
Buildings	Various	Various	Various	$241,488.26	$	$31,669.41	$11,819.00
Furniture, fixtures	Various	Various	Various	18,307.41		2,366.01	1,348.44
Automobiles	Various	Various	Various	6,293.24		75.00	1,480.00
Livestock	Various	Various	Various	4,445.00		2,177.00	1,089.50
Implements	Various	Various	Various	3,314.92		1,342.29	500.48
Pheasants	Various	Various	Various	2,699.50			
Yacht	Various	Various	Various	58,642.01		41,145.93	2,629.84
				$335,190.34		$78,775.64	$18,867.26

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SCHEDULE K—BALANCE SHEETS (See Instruction 43)

Items	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
ASSETS				
1. Cash		$ 169,327.66		$ 243,142.80
2. Notes receivable		216,206.41		297,222.65
3. Accounts receivable	$ 1,981.03		$ 67,206.81	
Less reserve for bad debts		1,981.03		67,206.81
4. Inventories:				
Raw materials	$		$	
Work in process				
Finished goods				
Supplies				
5. Investments:				
Obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	$			
Securities issued under the Federal Farm Loan Act, or under such Act as amended				
Obligations of the United States or its possessions				

SCHEDULE K—BALANCE SHEETS—(Continued)

Items	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
6. Loans (describe fully):				
.....	$		$	
.....	.....		.....	
.....	.....	.....	.....	.....
7. Deferred charges:				
Prepaid insurance	$		$	
Prepaid taxes	.....		.....	
.....	.....	.....	.....	.....
8. Capital assets:				
Land		418,494.72		450,141.35
Buildings	$ 189,324.96		$ 241,488.26	
Machinery and equipment	2,389.92		3,314.92	
Furniture and fixtures	12,871.15		18,307.41	
Delivery equipment	9,078.62		6,293.24	
Yacht	38,598.86		58,642.01	
Livestock and pheasants	6,972.50		7,144.50	
	$ 259,236.01		$ 335,190.34	
Less reserves for depreciation and depletion	85,913.22	173,322.79	97,642.90	237,547.44

SCHEDULE K—BALANCE SHEETS—(Continued)

Items	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
9. Leasehold		18,333.33		.....
10. Club membership picture rights		2,500.00		2,000.00
11. Other assets (describe fully):				
Stocks and bonds	$ 719,338.45		$1,078,216.25	
Certificates of interest	2,000.00		5,750.00	
Life insurance	26,960.00		52,887.00	C S V
Dramatic property	33,028.50	781,326.95	33,028.50	1,169,881.75
12. Total Assets		$1,781,492.89		$2,467,142.80
LIABILITIES				
13. Notes payable and mortgages		$ 215,558.50		$ 265,048.50
14. Accounts payable		30,977.71		21,607.29
15. Accrued expenses (describe fully):				
.....	$		$	
.....	.....		.....	
.....	.....	.....	.....	.....

SCHEDULE K—BALANCE SHEETS—(Continued)

Items	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
16. Other liabilities (describe fully):				
.....	$		$	
.....	.....		.....	
.....	.....		.....	
.....	.....	.....	.....	.....
17. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)	400,000.00	400,000.00	800,000.00	800,000.00
18. Surplus	$1,134,956.68		$1,380,487.01	
19. Undivided profits		1,134,956.68		1,380,487.01
20. Total Liabilities		$1,781,492.89		$2,467,142.80

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Page 4 of Return

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

1.	Net income from Item 24, page 1 of the return	$ 716,494.19
2.	Nontaxable income:	
	(a) Interest on obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	1.230.11
	(b) Interest on securities issued under the Federal Farm Loan Act, or under such Act as amended	
	(c) Interest on obligations of the United States or its possessions	
	(d) Dividends deductible under Section 23(p) of the Revenue Act of 1928	33,594.82
	(e) Proceeds of life insurance policies paid upon the death of the insured	
	(f) Other items of nontaxable income (to be detailed):	
	(1)	
	(2)	
	(3)	
3.	Charges against reserve for bad debts, if Item 18, page 1 of return, is not an addition to a reserve	
4.	Charges against reserves for contingencies, etc. (to be detailed):	
	(a)	
	(b)	
	(c)	
5.	Total of Lines 1 to 4, inclusive	$ 751,319.12
6.	Total from Line 14	49,788.79
7.	Net profit for year, as shown by books, before any adjustments are made therein (Line 5 minus Line 6)	$ 701,530.33
8.	Surplus and undivided profits as shown by balance sheet at close of preceding taxable year	1,134,956.68

9.	Other credits to surplus (to be detailed):	
	(a)	
	(b)	
	(c)	
10.	Total of Lines 7 to 9, inclusive	$1,836,487.01
11.	Total from Line 17	456,000.00
12.	Surplus and undivided profits as shown by balance sheet at close of taxable year (Line 10 minus Line 11)	$1,380,487.01
13.	Unallowable deductions:	
	(a) Donations, gratuities, and contributions	
	(b) Income and profits taxes paid to the United States, and so much of such taxes paid to its possessions or foreign countries as are claimed as a credit in Item 32, page 1 of the return	22,108.99
	(c) Federal taxes paid on tax-free covenant bonds	
	(d) Special improvement taxes tending to increase the value of the property assessed	
	(e) Furniture and fixtures, additions, or betterments treated as expenses on the books	
	(f) Replacements and renewals	
	(g) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficiary	
	(h) Interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest upon which is wholly exempt from taxation	2.95
	(i) Additions to reserve for bad debts which are not included in Item 18, page 1 of return	

(j) Additions to reserves for contingencies, etc. (to be detailed):		
(1)		
(2)		
(3)		
(k) Other unallowable deductions (to be detailed):		
(1) ¼ Studio kitchen		902.35
(2) Premium on officers insur.		17,274.50
(3) Presidential campaign		9,500.00
14. Total of Line 13	$	49,788.79
15. Dividends paid during the taxable year (state whether paid in cash, stock of the corporation, or other property):		
(a) Date paid Jan. 5 Character cash	$	20,000.00
(b) Date paid Apr. 18 Character stock		400,000.00
(c) Date paid Apr. 19 Character cash		12,000.00
(d) Date paid July 2 Character cash		12,000.00
(a) Oct. 1—Cash dividend		12,000.00
(b)		
(c)		
17. Total of Lines 15 and 16	$	456,000.00

QUESTIONS

KIND OF BUSINESS

3. Answers:

(a) General class (use key letter designation) C.

(b) Main income-producing business (give specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation). Motion picture producer acting as principal.

AFFILIATIONS WITH OTHER CORPORATIONS

See Instruction 38

4. Does the corporation own 95 per cent or more of the outstanding capital stock of another domestic corporation or of other corporations? No.

5. Is 95 per cent or more of your outstanding capital stock owned by another corporation? No.

6. Is 95 per cent or more of your outstanding capital stock as well as 95 per cent or more of the outstanding capital stock of another corporation or of other corporations owned by the same interests? No.

7. If the answer to questions 4, 5, and 6, or to any of them, is "yes," answer the following:

(a) Did the corporation file Forms 851, 852, 853, and 853A for the taxable year 1924 or subsequent taxable years? X. If the answer to this question is "yes," these forms will not be required, except under the circumstances described in question (b). If the answer to this question is "no," and the answer to questions 4, 5, and 6, or to any of them, is "yes," procure from the Collector of Internal Revenue for your district Forms 851, 852, 853, and 853A, Affiliations Schedules 1, 2, 3, and 4, which shall be filled in and filed as a part of this return. If the answer to this question is "no," question (b) need not be answered.

(b) Did exactly the same conditions, as are set out in the Affiliations Schedules filed for 1927 or prior years, obtain during the entire taxable year

1928? X. If the answer to this question is "no," a statement, setting forth the particulars in which the situation has changed, should be attached to and made a part of this return. If there have been any changes in stockholdings, a complete schedule of such changes should be submitted on Form 853, Affiliations Schedule 3. If there are companies other than those covered by the Affiliations Schedules for prior years which, applying the tests contained in questions 4, 5, or 6, may have come into the affiliated group since 1927, Forms 851, 852, 853, and 853A, are required for the entire group for the taxable year.

(c) Did the corporation file a consolidated return for the preceding taxable year on a different affiliation basis from this return? X. If answer is "yes," a copy of the Commissioner's letter granting permission to change the basis of filing under Section 142(a) of the Revenue Act of 1928 should be attached to the return.

PREDECESSOR BUSINESS

8. Did the corporation file a return under the same name for the preceding taxable year? Yes. Was the corporation in any way an outgrowth, result, continuation, or reorganization of a business or businesses in existence during this or any prior year since December 31, 1917? No. If answer is "yes," give name and address of each predecessor business, and the date of the change in entity.

Upon such change were any asset values increased or decreased? X. If the answer is "yes," closing balance sheets of old business and opening balance sheets of new business must be furnished.

BASIS OF RETURN

9. Is this return made on the basis of actual receipts and disbursements? Yes. If not, describe fully what other basis or method was used in computing net income.

LIST OF ATTACHED SCHEDULES

11. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the corporation should be placed on each separate schedule accompanying the return.

Item 5 Interest received
Item 7 Royalties received
Item 8 Profit from sales
Item 9 Dividends received
Item 10A Production contract
Item 10C MSCL income
Item 13 Excess of carrying charges City
Item 14 Excess of carrying charges Ranch
Item 17 18 Bad debts and losses
Item 22F MSCL expenses

The corporation's books are in care of the company

Located at as shown on face of return

AFFIDAVIT

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying

schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year as stated, pursuant to the Revenue Act of 1928 and the Regulations issued under authority thereof.

[Corporate Seal] CECIL B. DE MILLE
President.

A. G. KING
Treasurer.

Sworn to and subscribed before me this 25th day of March, 1929.

[Notarial Seal]
GLADYS ROSSON,
Notary Public,
in and for the County of Los Angeles,
State of California.

My commission expires June 12, 1930. [492]

March 25, 1929.

Collector of Internal Revenue,
Los Angeles, California.

Sir:

Enclosed find income tax return for Cecil B. DeMille Productions, Inc., together with check for $2.20 being the balance due on amended return—check for $21,492.62 having been handed you with the tentative return on March 15th.

Yours very truly,

CECIL B. DE MILLE PRODUCTIONS, INC.

[493]

TREASURY DEPARTMENT
Internal Revenue Service
Los Angeles, Calif.

March 15, 1929

IT:OJP
Cecil B. De Mille Productions, Inc.,
Culver City, Calif.

Sir:

Receipt is acknowledged of your letter of recent date requesting, for the reasons therein given, extension of time within which to file your return of income for calendar year 1928.

PROVIDED A TENTATIVE RETURN IS FILED WITH THE COLLECTOR OF INTERNAL REVENUE FOR YOUR DISTRICT ON OR BEFORE March 15, 1929, AND PAYMENT MADE AT THAT TIME OF AT LEAST ONE-FOURTH OF THE TOTAL ESTIMATED TAX SHOWN THEREON TO BE DUE, you are hereby granted an extension of time to March 25, 1929.

Any deficiency in the first installment of tax will bear interest at the rate of one-half of one per cent a month from the original due date.

By a "tentative return" is meant a return on the appropriate income tax form, showing only the name and address of the taxpayer and the estimated amount, if any, of the tax due. The items and schedules shown on the form need not be filled in.

A copy of this letter must be attached to both the tentative and completed returns as authority for the

extension of time herein granted. The completed return when filed should be plainly marked "completed return."

Respectfully,
D. H. BLAIR, Commissioner,
By GALEN H. WELSH, Collector

#221.

Note: Tentative return filed accompanied by check in the Amount of $21,492.62. [494]

ITEM 5

Interest Received

Personal Loans		
F. M. Andreani	$2,093.72	
Calif. Air Construction	198.24	
R. A. and J. Downen	196.33	
Julia Faye	239.53	
Geo. H. Flebbe	506.54	
August Flynn	131.25	
Fred Geissler	52.37	
Fred S. Hilpert	700.00	
Hutton & Co.	1,376.40	
A. G. King	175.00	
M. L. Leisen	142.79	
K. Lyne	261.18	
Mrs. B. McGaffey	273.36	
Jeanie Mcpherson	59.05	
C. O. Ransford	299.88	
Salt River Valley Lands	147.76	
San Pedro Realty Co.	2,965.00	
Fred Savin	4.21	
F. C. and Lula Van Deinse	1,050.00	
Total		$10,872.61

Bank Accounts			
Bank of Italy—C. C. General		$ 154.50	
Bank of Italy—C. C. Savings		499.80	
Bank of Italy—C. C. Special		2,276.83	
Bank of Italy—Hollywood		160.34	
Bowery East River of N. Y.		84.28	
Commercial National		30.03	
Federal Trust and Savings Bank		2.17	3,207.95
Bonds—Domestic			
American Insurance Bldg.		$ 300.00	
Chicago Milwaukee & St. Paul RR.		100.00	
Golden State Milk		450.00	
Guarantee Trust and Savings of N. Y.		57.08	
Harriman Bldg.		300.00	
Key System Transit		550.00	
Total		$1,757.08	
Less:			
Atlantic Gulf & W. I.	$38.06		
Blair & Co.	3.12		
Int. Tel. and Tel.	11.25		
No. Amer. Water Works	53.33		
Pacific Public Service	9.93	115.69	1,641.39
Total			$15,721.95
Bonds—Foreign			
Republic of Bolivia		$ 102.33	
Less—Republic of Peru	$ 29.00		
Saxon Public Works	142.92	171.92	69.59
TOTAL			$15,652.36

[495]

ITEM 7

Royalties Received

Famous Players Lasky—"Ten Commandments"	$ 7,050.93	
Cinema Corp. of America—"King of Kings"	54,317.59	
Pathe Exchange—Sundry Pictures	47,203.21	
Total		$108,571.73

[496]

ITEM 8

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sold	Loss	Profit
Hutton & Co.—Margin a/c						
July 9	Alaska Juneau	300	$ 1,500.00	$ 936.30	$ 563.70	
" 9	" "	200	1,000.00	624.20	375.80	
" 10	" "	200	1,000.00	724.20	275.80	
" 11	" "	200	1,000.00	674.20	325.80	
Oct 12	" "	1000	6,137.50	8,971.00		$ 2,833.50
May 25	Allis Chalmers	100	12,325.00	12,371.00		46.00
" 25	American Can. Co.	100	9,047.50	9,164.00		116.50
Sep 25	" "	200	22,025.00	21,248.00	777.00	
Jul 11	American Smelting	100	19,130.00	18,816.00	314.00	
Jun 19	American Steel Foundry	100	6,267.50	5,173.50	1,094.00	
Jul 11	" "	100	6,267.50	5,248.50	1,019.00	
" 14	" "	300	18,802.50	15,620.50	3,182.00	
May 25	American Tel. & Tel.	100	19,892.50	20,161.00		268.50
Jun 19	" "	100	20,135.00	17,578.50	2,556.50	
Apr 23	Anaconda Copper	500	34,612.50	33,940.00	672.50	
Jun 19	" "	100	6,585.00	6,250.50	334.50	
Sep 7	" "	200	14,645.00	14,976.00		331.00
Aug 30	Armour Packing Co.	200	4,220.00	4,153.00	67.00	

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sold	Loss	Profit
Hutton & Co.—Margin a/c						
Apr 5	Atlantic Gulf & WI	400	14,977.50	15,956.50		979.00
" 9	" "	100	4,222.50	4,586.00		363.50
Jul 11	Bancitaly	100	14,492.50	11,699.00	2,793.50	
" 11	"	100	14,492.50	11,474.00	3,018.50	
" 13	"	300	43,477.50	33,398.25	10,079.25	
Sep 17	Barnsdale Oil	500	15,737.50	17,470.00		1,732.50
Dec 7	Bethlehem Steel	500	41,362.50	37,430.00	3,932.50	
" 10	" "	100	7,535.00	7,773.50		238.50
" 10	" "	100	7,535.00	7,573.50		38.50
" 10	" "	100	7,535.00	7,473.50	61.50	
" 10	" "	200	15,070.00	15,047.00	23.00	
" 26	" "	200	16,045.00	16,947.00		902.00
Jul 18	Bucyrus Erie	100	4,360.00	4,427.30		67.30
" 19	Canadian Pac. Ry.	100	21,322.50	19,566.00	1,756.50	
Aug 21	Chicago & Rock Id.	100	11,225.00	12,358.50		1,133.50
Oct 13	Chrysler Motors	100	13,280.00	13,091.00	189.00	
Nov 2	Columbia Graphaphone	200	11,632.50	12,704.80		1,072.30
Aug 21	Continental Can	200	22,825.00	23,167.00		342.00
Feb 7	Cudahy Packing Co.	100	5,710.00	6,575.50		865.50

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sold	Loss	Profit
Hutton & Co.—Margin a/c						
Jun 1	Eaton Axle	100	4,060.00	3,973.50	86.50	
Apr 14	Electric Storage Bat.	100	7,785.00	8,073.50		288.50
Jul 10	Famous Players Lasky	300	37,547.50	38,898.00		1,350.50
Apr 17	General Motors	500	75,150.00	94,670.00		19,520.00
" 18	" "	500	97,150.00	96,057.50	1,092.50	
May 4	" "	400	76,545.00	79,276.00		2,731.00
" 29	" "	100	18,780.00	19,006.50		226.50
Sep 16	" "	300	61,942.50	62,542.00		599.50
" 18	" "	100	20,647.50	20,876.50		229.00
" 18	" "	100	19,580.00	20,864.00		1,284.00
" 29	" "	200	42,445.00	43,228.00		783.00
Oct 10	" "	100	21,222.50	21,814.00		591.50
" 18	" "	100	21,860.00	22,164.00		304.00
" 27	" "	100	21,885.00	22,064.00		179.00
Nov 13	" "	300	66,942.50	65,142.00	1,800.50	
			$1,090,972.50	$1,093,998.25	$ 36,390.85	$ 39,416.60

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sold	Loss	Profit
Hutton & Co.—Margin a/c						
	Brought forward		$1,090,972.50	$1,093,998.25	$ 36,390.85	$ 39,416.60
Sep 14	Gulf Mobile	100	10,625.00	10,071.00	554.00	
Apr 26	Hudson Motors	500	41,850.00	41,992.50		142.50
May 24	" "	500	45,712.50	43,742.50	1,970.00	
Aug 15	" "	100	7,860.00	7,948.50		88.50
Oct 10	" "	200	18,345.00	18,697.00		352.00
" 18	" "	200	18,245.00	18,547.00		302.00
" 29	" "	100	8,597.50	8,623.50		26.00
May 25	Interl. Comb. Eng.	800	49,742.50	46,388.00	3,354.50	
Sep 22	" "	300	20,392.50	20,958.00		565.50
Oct 30	" "	500	35,012.50	33,717.50	1,295.00	
Nov 17	" "	200	13,320.00	14,247.00		927.00
Jun 19	Interl. Nickle	100	9,722.50	9,639.00	83.50	
May 25	Keith Albee	800	15,780.00	16,038.00		258.00
Jul 5	" "	200	4,432.50	3,872.00	560.50	
Aug 21	" "	100	8,072.50	7,973.50	99.00	
Jul 13	Kresge	100	7,572.50	6,927.10	645.40	
Aug 31	Loose Wiles	200	15,095.00	15,353.00		258.00
Oct 30	" "	100	7,960.00	7,189.00	771.00	
Nov 1	" "	100	7,960.00	6,976.50	983.50	
Apr 25	Mexican Seaboard	500	10,550.00	15,367.50		4,817.50

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sold	Loss	Profit
Hutton & Co.—Margin a/c						
May 25	Mexican Seaboard	500	16,637.50	16,380.00	257.50	
Jun 28	" "	5000-R	3,750.00	600.75	3,149.25	
Aug 29	" "	200	5,870.00	5,797.00	73.00	
Sep 24	" "	100	3,135.00	3,198.50		63.50
Jun 19	Missouri Pacific	100	5,985.00	5,623.50	361.50	
Dec 13	Packard Motors	200	29,860.00	30,839.20		979.20
" 13	" "	100	14,530.00	15,469.60		939.60
Apr 20	Radio Corp. of Am.	300	49,190.00	54,798.00		5,608.00
Dec 10	" "	100	29,340.00	28,956.00	384.00	
May 18	Richfield Oil	600	27,035.00	30,196.50		3,161.50
" 25	" "	300	15,617.00	14,479.50	1,138.00	
Jun 19	" "	1000	49,975.00	38,977.50	10,997.50	
Sep 25	" "	200	9,545.00	9,853.00		308.00
Oct 12	" "	1000	50,975.00	54,015.00		3,040.00
" 30	" "	1000	50,975.00	47,765.00	3,210.00	
Dec 10	" "	200	9,795.00	8,853.00	942.00	
" 11	" "	200	9,795.00	9,153.00	642.00	
" 11	" "	100	4,897.50	4,676.50	221.00	
Oct 19	Republic Pet. Corp.	1000	1,245.00	1,229.80	15.20	
" 20	Schultz Stores	100	5,786.05	5,248.50	537.55	

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sold	Loss	Profit
Hutton & Co.—Margin a/c						
'' 12	Sinclair Oil	200	8,620.00	8,822.00		202.00
Nov 1	'' ''	500	22,350.00	22,192.50	157.50	
'' 13	'' ''	100	8,720.00	9,097.00		377.00
Dec 7	'' ''	1000	45,225.00	40,735.00	4,490.00	
Nov 22	Telautograph	1000	22,153.50	17,985.00	4,168.50	
Dec 7	Texas Pacific	500	10,175.00	9,948.00	227.00	
'' 10	'' ''	500	12,825.00	8,848.00	3,977.00	
Feb 14	Tidewater Oil	1000	17,162.50	14,997.50	2,165.00	
Sep 28	Union Carbide	100	18,930.00	18,466.00	464.00	
Dec 7	U. S. Cast Iron Pipe	100	5,104.00	4,176.70	927.30	
'' 10	'' ''	100	5,104.00	3,876.70	1,227.30	
'' 10	'' ''	100	5,104.00	3,926.70	1,177.30	
'' 10	'' ''	200	10,208.00	7,728.40	2,479.60	
'' 10	'' ''	200	10,208.00	7,703.40	2,504.60	
'' 10	'' ''	100	5,104.00	3,876.70	1,227.30	
'' 10	'' ''	200	10,208.00	7,703.40	2,504.60	
'' 10	'' ''	300	15,312.00	11,630.10	3,681.90	
'' 10	'' ''	100	5,104.00	3,876.70	1,227.30	
'' 10	'' ''	100	5,104.00	4,076.70	1,027.30	
'' 10	'' ''	100	5,104.00	3,976.70	1,127.30	
			$2,089,583.55	$2,048,019.40	$103,396.55	$ 61,832.40

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sold	Loss	Profit
Hutton & Co.—Margin a/c						
Oct. 12	Brought forward		$2,089,583.55	$2,048,019.40	$103,396.55	$ 61,832.40
" 10	U. S. Cast Iron Pipe	200	10,208.00	7,853.40	2,354.60	
" 10	" "	100	5,104.00	3,976.70	1,127.30	
" 11	" "	100	5,104.00	4,076.70	1,027.30	
" 24	" "	100	5,104.00	4,076.70	1,027.30	
" 24	" "	200	10,208.00	8,153.40	2,054.60	
" 24	" "	200	10,208.00	7,953.40	2,254.60	
" 24	" "	100	5,104.00	3,976.70	1,127.30	
" 24	" "	100	5,104.00	3,876.70	1,227.30	
" 24	" "	200	10,208.00	8,853.40	1,354.60	
" 24	" "	200	10,208.00	8,703.40	1,504.60	
Apr 11	U. S. Sul. Corp.	100	14,880.00	14,866.00	14.00	
Jul 25	Warner Bros.	100	6,085.00	6,202.10		117.10
May 4	Westinghouse Elec.	100	10,400.00	10,723.00		323.00
Nov 16	" "	200	22,464.90	25,086.00		2,621.10
	Interest on a/c for 12 mo.		15,970.82		15,970.82	
	TOTALS		$2,235,944.27	$2,166,397.00	$134,440.87	$164,893.60
	Less profits				64,893.60	
	Loss on Marginal transactions				$ 69,547.27	

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sold	Loss	Profit
Hutton & Co.—Margin a/c						
May 31	Pathe Ech. Del. for sale	10,600	$ 18,775.72	$ 66,901.90		$ 48,126.18
Jun 30	" "	2,800	2,028.87	18,547.84		16,518.97
Jul 31	" "	1,600	794.89	7,336.00		6,541.11
Aug 31	" "	23,400	11,625.25	143,117.40		131,492.15
Sep 30	" "	51,300	25,486.13	350,515.50		325,029.37
Oct 30	" "	3,843	1,909.22	24,791.90		22,882.68
Apr 19	United Verde " "	200	5,847.50	3,754.92	$ 2,092.58	
			$ 66,467.58	$ 614,965.46	$ 2,092.58	$550,590.46
	Less loss					2,092.58
	Total Gain on Stock Delivered for sale					$548,497.88
	Less loss on marginal transactions					69,547.27
	Net Gain on account of Hutton sales					$478,950.61

NOTE: This gain should be increased by the amount of dividends received on marginal stock amounting to $13,065.00, which is credited to Dividends Received.

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sale	Loss	Profit
H. J. BARNESON & CO.—Margin a/c						
Nov 2	Chandler Motors	200	$ 5,537.86	$ 4,672.00	$ 865.86	
" 26	" "	400	11,075.71	11,894.00		$ 818.29
Jul 19	International Nickle	100	8,847.50	9,276.50		429.00
Apr 23	Merchants National Bk.	100	16,975.00	19,014.50		2,039.50
Oct 3	Otis Steel	100	2,372.50	2,886.00		513.50
Sep 17	Rio Grande	400	31,290.00	36,858.00		5,568.00
Oct 3	Studebaker Motors	100	7,972.50	7,923.50	49.00	
" 31	Universal Leaf Tobacco	100	8,010.00	8,073.50		63.50
Aug 29	Victor Talking Mch.	100	9,510.00	10,671.00		1,161.00
Nov 22	" "	100	12,880.00	13,466.00		586.00
Sep 27	Wm. Wrigley	100	8,372.50	7,273.50	1,099.00	
	Int. on a/c for 12 mo.		1,234.15		1,234.15	
	Totals		$ 124,077.72	$ 132,008.50	$ 3,248.01	$ 11,178.79
	Less loss					3,248.01
	Profit on Marginal transactions					$ 7,930.78

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sale	Loss	Profit
J. H. Barneson & Co.—Margin a/c						
Aug 31	Pathe Ech. Del. for sale	5700	$ 2,831.79	$ 37,409.50		$ 34,577.71
Sep 30	" " "	4500	2,235.63	32,682.50		30,446.87
	Gain on Stock Del. for sale		$ 5,067.42	$ 70,092.00		$ 65,024.58
	Gain on Marginal Transactions					7,930.78
	Net Gain on account of Barneson sales					$ 72,955.36

NOTE: This gain should be increased by the amount of dividends received in marginal stock amounting to $212.50 which is credited to Dividends Received.

WILCOX-DRAKE & CO.—Margin a/c						
Sep 13	National Cash Reg.	500	$ 43,425.00	$ 44,617.50		$ 1,192.50
Oct 31	Southern Calif. Ed.	200	10,155.00	9,601.48	$ 553.52	
Nov 1	" "	150	7,616.25	7,211.74	404.51	
" 5	" "	150	7,616.25	7,333.98	282.27	
	Interest on a/c for 12 mo.		97.71		97.71	
	Totals		$ 68,910.21	$ 68,764.70	$ 1,338.01	$ 1,192.50
	Less Gain				1,192.50	
	Net Loss on marginal transactions				$ 145.51	

NOTE: This loss should be reduced by the amount of dividends received on marginal stock amounting to $425.00, which is credited to Dividends Received.

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sale	Loss	Profit
King—Spcl. Margin a/c						
Wilcox-Drake & Co.						
Oct 25	American Can	100	$ 10,800.00	$ 10,974.00		$ 174.00
Nov 21	American Water Wks.	100	6,122.50	6,423.50		301.00
Oct 22	Barnsdale Oil	100	4,160.00	4,402.00		242.00
Dec 7	Fleishman Yeast	50	4,287.50	3,985.50	$ 302.00	
Nov 23	General Ashphalt	50	3,843.75	3,879.25		35.50
Nov 7	Hudson Motors	100	8,422.50	8,386.00	36.50	
" 14	" "	100	8,347.50	8,073.50	274.00	
Oct 29	Hupmobile Motor	100	7,447.50	7,402.10	45.40	
" 29	" "	100	7,322.50	7,127.10	195.40	
Dec 10	International Comb. Eng.	100	6,972.50	6,873.50	99.00	
" 11	" "	100	6,735.00	6,223.50	511.50	
Oct 16	Mexican Seaboard	100	3,172.50	3,886.00		713.50
" 25	" "	100	3,597.50	3,761.00		163.50
Nov 7	" "	100	3,810.00	3,948.50		138.50
" 7	No. American Can	100	7,422.50	7,598.50		176.00

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sale	Loss	Profit
'' 19	Pan-American	100	5,497.50	5,475.50	22.00	
'' 23	Remington Rand	100	2,772.50	2,798.50		26.00
'' 7	Richfield Oil Co.	100	4,947.50	5,076.50		129.00
'' 19	'' ''	100	5,522.50	5,251.50	271.00	
'' 14	Sears & Roebuck Co.	100	16,130.00	17,666.00		1,536.00
'' 28	St. Louis & SW	50	6,056.25	6,116.75		60.50
Dec 11	St. Joseph Lead	200	9,945.00	9,754.20	190.80	
'' 10	Union Oil Co.	100	5,622.50	5,089.00	533.50	
Oct 25	U. S. Steel Corp.	100	15,905.00	16,466.00		561.00
Dec 7	'' ''	100	16,605.00	15,816.00	789.00	
Nov 30	White Motors	50	1,961.25	2,067.75		106.50
Hutton & Co.						
Dec 26	Bethlehem Steel	50	4,131.25	4,129.25	2.00	
'' 24	Hudson Motors	50	4,212.50	4,279.25		66.75
'' 24	Julius Kayser	50	4,062.50	4,085.50		23.00
'' 20	Sinclair Cons.	100	3,685.00	3,886.00		201.00
'' 20	U. S. Steel Corp.	50	7,615.00	7,764.25		149.25
'' 24	White Motors	50	1,961.25	1,905.25	56.00	

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sale	Loss	Profit
Oct 31	Commissions		378.53		378.53	
Nov 30	"		477.03		477.03	
Dec 31	Interest for 3 mo.		191.75		191.75	
Dec 31	Div. Pan-American			50.00		50.00
Dec 31	" White Motors			% 12.50		12.50
			$ 210,143.56	$ 210,683.65	$ 4,375.41	$ 4,865.50
	Less loss on margin account					4,375.41
						$ 490.09
Dec 31	Gladys Rosson		$ 61.26		$ 61.26	
" 31	A. G. King		61.26		61.26	
	Division of profits		$ 210,266.08			$ 122.52
	Net Gain on Margin—A. G. King Special a/c					$ 367.57

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ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

		No. Shares	Cost	Sale	Loss	Profit
Delivered for Sale						
Feb 21	Bancitaly	100	$ 7,807.29	$ 17,964.50		$ 10,157.21
Mar 24	"	100	7,807.30	19,564.50		11,757.20
May 1	"	100	5,134.34	21,964.00		16,829.66
Jan 23	Bank of Italy (1927 sale)			150.00		150.00
" 29	"	100	9,777.44	28,664.50		18,887.06
Mar 7	"	100	9,777.44	29,339.50		19,562.06
Jul	Consolidated Royalties	300	3,000.35	1,873.80	$ 1,126.55	
Dec 29	Elias Katz Shoe	90	6,156.81	90.00	6,066.81	
Nov 19	First Nat. Bk.-St. Paul	50	18,750.00	18,998.00		248.00
Dec 29	General Motors	100	22,085.00	19,469.00	2,616.00	
" 29	Marine Pkg. & R. Co.	83	8,215.00	10.00	8,205.00	
" 29	New Monte Cristo	2000	2,000.00	2.00	1,998.00	
" 29	Stereoscopic Camera Co.	6000	2,000.00	5.00	1,995.00	
Jul 11	United Bank & Tr. Co.	100	17,035.00	18,589.50		1,554.50
Mar 7	Wesco Corp.	200	6,200.00	10,800.00		4,600.00
Dec 14	Republic of Bolivia	7 M	6,825.00	6,350.60	474.40	
	Totals		$ 132,570.97	$ 193,833.90	$ 22,481.76	$ 83,745.69
	Hutton & Co.—Delivered		66,467.58	614,965.46	2,092.58	550,590.46
	Barneson & Co. "		5,067.42	70,092.00		65,024.58
	TOTALS		$ 204,105.97	$ 878,892.36	$ 24,574.34	$699,360.73

ITEM 8 (Cont'd)

Profit on Sale of Stocks and Bonds

	No. Shares	Cost	Sale	Loss	Profit
Liquidating Dividends					
Producers International			$ 1,000.00		$ 1,000.00
,, ,,			600.00		600.00
,, ,,			600.00		600.00
,, ,,			600.00		600.00
TOTAL			$ 2,800.00		$ 2,800.00
RECAPITULATION					
Marginal Transactions					
E. F. Hutton & Co.		$2,235,944.27	$2,166,397.00	$ 69,547.27	
H. J. Barneson & Co.		124,077.72	132,008.50		$ 7,930.78
Wilcox Drake & Co.		68,910.21	68,764.70	145.51	
A. G. King, Special		210,266.08	210,633.65		367.57
TOTALS		$2,639,198.28	$2,577,803.85	$ 69,692.78	$ 8,298.35
Delivered Sales		204,105.97	878,892.36	24,574.34	699,360.73
Liquidating Dividends			2,800.00		2,800.00
		$2,843,304.25	$3,459,496.21	$ 94,267.12	$710,459.08
			2,843,304.25		94,267.12
Net Gain on sale of Stocks and Bonds			$ 616,191.96		$616,191.96
NOTE: The Dividends received on the Margin a/c's aggregate					$ 13,702.50

ITEM 9.

Dividends Received.

American Steel and Foundry	300.00
American Telephone and Telegraph	265.50
Armour Packing Co.	175.00
Atlantic Gulf and West Indies	75.00
Bancitaly	3221.12
Bank of America	204.74
Bank of Italy	5942.50
California Packing Co.	300.00
Canadian Pacific Railway	500.00
Cast Iron Pipe	7500.00
Central Investment Co.	1869.00
Claude Neon	117.00
Consolidated Royalties Oil	180.00
Cudahy Packing Co.	100.00
Electric Products Co.	468.75
Electric Storage Battery Co.	125.00
Elias Katz Shoe Co.	220.00
First National Bank of St. Paul	150.00
General Motors Inc.	1875.00
Grand Central Garage	1000.00
Gulf Mobile and N.	300.00
Hudson and Manhattan	125.00
Inland Steel	62.50
International Combine Engine	575.00
Kresge	30.00
Loose Wiles	80.00
Los Angeles Speedway	2450.00
Merchants National Bank	112.50
Metropolitan Mortgage Co.	200.00
Northern Pacific Railway	1000.00
Otis Steel	175.00
Pacific Mutual Life Insurance	440.00
Packard Motors	150.00
Producers International	206.21
Richfield Oil Co.	1087.50
Southern Calif. Edison Co.	250.00
Standard Oil of California	300.00
Standard Oil Co. of Indiana	87.50

ITEM 9 (Continued)

Dividends Received

Standard Oil of Kentucky	100.00
Telautograph	400.00
United Bank and Trust Co.	337.50
United Verde Copper Co.	200.00
Universal Leaf Tobacco	75.00
Van De Kamp	37.50
Westinghouse Electric Co.	200.00
Wm. Wrigley Inc.	25.00
Total	$33594.82

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SCHEDULE B.

Profit on Sale of Real Estate, Stocks, Bonds, etc.

	Amount Received	Depreciation Allowed	Cost	Subseq'nt. Imp'mts.	Net Profit
Profits on stock as per schedules	3,459.496.21		2,843,304.25		616,191.96
Lot 7, Laughlin Park	11,000.00		4,556.50		6,443.50
Sale of Bldgs. 1628 Vine St.	522.50	1,127.75	4,985.97		3,335.72
Production Equipment	64,054.36		100,000.00		35,945.64
Autos—					
Locomobile	100.00	3,540.00	3,540.00		100.00
Dodge	300.00	92.33	738.62		346.29
Cunningham	1,500.00	218.75	1,500.00		218.75
Tempest Theatre	17,500.00	1,666.67	20,000.00		833.33
Wardrobe	256.25				256.25
Totals	3,554,729.32	6,645.50	2,978,625.34		582,749.48

ITEM 10 (a)

Production Contracts.

Pathe Exchange	259,652.99
Metro-Goldwyn-Mayer	50,000.00
TOTAL	309,652.99

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ITEM 10(c).

Miscellaneous Income.

Recovery of accounts previously written off:		
Ashton Note	3,534.00	
Lynch, Bert	35.00	
Klag Bay Mining Co.	105.00	3,674.00
Endorsing note		100.00
Discount on note		716.73
Right in Bank of America		52.78
TOTAL		4,543.51

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ITEM 13.

Excess of Carrying Charges over Income—City Property.

Laughlin Park:			
Repairs	1,417.01		
Watchman-Gardening	5,095.80		
Water-Seed-Fertz.	799.09		
Insurance	759.50		
Sundry Exp.	4.00		
Interest	2,450.00		
Taxes	2,279.24		
Depreciation	5,298.90	18,103.54	
Less Rentals	7,200.00		
Escrow	25.84	7,225.84	10,877.70
Royal Palms Apt.			
Commissions	1,500.00		
Janitor	1,000.00		
Interest	5,200.46		
Taxes	3,190.19		
Depreciation	1,923.26		
Light & Power	253.01		
Gas	212.97		

Repairs	608.75		
Insurance	218.91		
Water	191.20		
Escrow	85.00		
Cleaning	50.00		
Janitor Supplies	93.00		
Garbage	33.00		
Escrow	2.00	14,561.75	
Less rentals		11,133.25	3,428.50
1628 Vine Street:			
Taxes	397.03		
Depreciation	194.40		
Light	8.64		
Water	1.42	601.49	
Less rentals	354.28		
Insurance	26.17	380.45	221.04
2338 Observatory Ave:			
Repairs	333.35		
Taxes	382.94		
Depreciation	742.20	1,458.49	
Less rentals		825.00	633.49
Hollywood Blvd:			
Interest	262.50		
Taxes	480.65		
Light	18.96		
Clearing	5.25	767.36	
Less rentals		60.00	707.36
Fernangeles:			
Taxes	148.11		
Depreciation	312.18		
Insurance	184.00		
Light	14.82	659.11	
Less rentals		89.00	570.11

No. Side Sunset			
Interest	700.00		
Taxes	477.80		
Light	19.07	1,196.87	
Less rentals		37.50	1,159.37
So. Side Sunset:			
Taxes	125.35		
Less rentals	30.38		94.97
Veteran Avenue:			
Depreciation	74.23		
Repairs	155.50		
Water	3.00	232.73	
Less rentals		50.00	182.73
Oakhurst:			
Repairs	27.75		
Water	2.00		
Gardner	22.50		52.25
Ivar Avenue:			
Interest	825.00		
Taxes	286.44		
Escrow	1.00		1,112.44
Ventura Blvd:			
Taxes			80.85
Highland Avenue:			
Rentals		6,308.33	
Less Interest	1,225.00		
Taxes	719.97		
Depreciation	2,269.75		
Insurance	316.00		
Light	27.84		
Commissions	256.82	4,815.38	1,492.95
Sundry Expenses:			7.60
Total Carrying Charge			17,635.46

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ITEM 14.

Excess of Carrying Charges over Income—Country Property.

Labor		
Floyd	1,039.19	
Jones	300.00	
Zagar	302.50	
Ross	100.00	
Ponty	646.46	
Poe	185.00	
Huling	596.66	
Brock	251.66	3,421.47
Expenses		
Repairs—Autos	59.85	
" —General	496.87	
Auto Hire	110.00	
Gas & Oil	370.10	
Light & Power	121.38	
Seed	69.44	
Spraying	23.50	
Inspection	20.00	
Feed	281.73	
Insurance—buildings	58.00	
" —compensation	94.73	
General expense	139.71	
Ivar Ave. Exp.	1.50	
Observatory Ave. Exp.	10.44	1,857.25
Pheasantry		
Labor—Floyd	150.00	
Fuel	37.73	
Feed	2,213.49	
Loss in Inventory	2,565.21	
	4,966.43	
Less sale birds & eggs	3,577.67	1,388.76

Interest		
Cereghino Ranch	63.29	
Hunter "	2,228.88	
Olmstead "	1,159.39	
Wyatt "	90.00	
Zenz "	700.00	4,241.56
Taxes—City & County		
Cereghino Ranch	8.38	
Olmstead "	28.02	
Hunter "	235.91	
Wyatt "	106.51	
Wycoff "	22.26	
Zenz "	154.53	555.61
Depreciation		
Hunter Ranch Bldgs.	161.28	
Wyatt " "	11.55	
Wycoff " "	831.25	
Horses—Draft	14.50	1,018.58
		12,483.23
LESS		
Income		
Oranges	1,277.50	
Lemons	1,303.42	2,580.92
Net Cost over Income		9,902.31

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ITEM 15.

Interest Paid.

Note at Bank of Italy for $50,000.00	1,340.00	
" Bancitaly for 173 Sh. Bancitaly	1,164.25	
" " for 91 Sh. Bk. of Amer.	367.48	
" Bank of Italy for $80,000.00	616.63	
Int. on 1923 deferred Federal tax	632.64	
" loans life insurance policies	714.00	4,835.00

ITEM 16.

Taxes Paid.

State—Corporation franchise tax	1,624.50	
" —License	16.00	
" —Gasoline tax	85.91	
Federal—Revenue stamps	513.43	
City & County—Personal property tax	4,477.12	6,716.96

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ITEM 17.

Worthless Stock.

150 Shares, California Air Construction $10,000.00

ITEM 18.

Bad Debts.

Accounts Receivable:		
California Air Construction	1,697.46	
H. O. Perline	50.00	
S. G. Ponty	1,303.54	
Popular Theatres	445.40	
Tempest Theatre	3,328.24	
Dave Watson	400.00	
Don Wilkie	150.00	7,374.64
Notes Receivable:		
Sylvia Ashton	3,306.50	
Rudolph Berliner	1,700.00	
" "	2,750.00	
F. B. Warren	1,000.00	8,756.50
TOTAL		16,131.14

ITEM 20.

Depreciation.

	Life	Cost	Amount taken previous yrs.	Amount taken this year	
Furniture & Fixtures					
Office	10 yr.	12,840.90	2,281.56	1,284.09	
Dining Room	10 yr.	184.23	27.80	18.42	
Ranch House	5 yr.	229.65	56.65	45.93	
Equipment					
Power Mower	5 yr.	225.00		22.50	
Ranch Imp	5 yr.	2,389.92	1,342.29	477.98	1,848.92

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ITEM 22 (a).

Salaries Paid.

N. S. McCarthy	10,400.00	
R. Snyder	2,670.00	
R. A. Treacy	2,515.00	
F. M. Pennyfeather	1,208.35	
Taylor	875.00	
Jones	520.00	
Ottum	240.00	
Kibbie	260.00	
Yamato	80.00	
Dawson	50.00	
Lavin	5.00	
Burns	250.00	
Don Wilkie	800.00	19,873.35

ITEM 22 (b).

Kitchen Expense.

Food	596.14	
Labor	2,529.90	
Misc., Laundry, etc.	454.95	
Automobile	28.40	
	3,609.39	
For personal use	902.35	2,707.04

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ITEM 22 (c).

Yacht.

Payroll	11,851.14	
Food	3,331.39	
Dockage	50.00	
Repairs, batteries, etc.	2,642.96	
Miscellaneous, laundry, uniforms	1,365.29	
Insurance	2,263.36	
Automobile	145.25	
Fuel, gasoline, etc.	460.69	
Taxes	6.80	22,116.88
Depreciation		2,629.84
Taxes		80.40
		24,827.12

ITEM 22 (d).

Publicity.

Previewing	40.00
Wampas	250.00
Police Uniforms	245.00
Photos	239.90
Flowers	121.00
Times, Adv.	900.00
Convention	50.00
Air Races	500.00
LaP. Magazine adv.	18.00
Fancy Show Hse ex.	3,630.00
Total	5,993.90

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ITEM 22 (d) (Continued)

Business Dues and Subscriptions.

Hollywood Chamber of Commerce	20.00	
Art & Archeology	5.00	
Annalist	5.00	
Close-Up Magazine	3.50	
Exhibitions Review	10.00	
Film Mercury	3.00	
Game Conservation	5.00	
Hollywood Screen World	6.00	
Investment Service	125.00	
Literary Digest	4.00	
Motion Picture News	2.00	
Variety	10.00	
Wall St. Journal	18.00	216.50

ITEM 22 (e).

Automobile Expense.

Cunningham:		
Insurance	67.52	
Tires	6.20	
Depreciation	218.75	292.47
Cadillac:		
Insurance	40.51	
Repairs	63.83	
Tires	74.74	
Depreciation	225.00	404.08
Dodge:		
Insurance	79.71	
Repairs	25.95	105.66
Franklin:		
Insurance	13.16	
Tires	21.15	
Repairs	232.33	
Depreciation	300.00	566.64

ITEM 22 (e) (Continued)

Automobile Expense

Lincoln:			
Insurance	173.09		
Repairs	121.80		
Tires	73.80		
Depreciation	955.00	1,323.69	
Locomobile:			
Insurance		(94.62)	
Sundry Expenses:			
Garage rent	239.94		
Gas & Oil	612.10		
Miscel.	105.27	957.31	3,555.23

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ITEM 22 (e).

Travelling Expenses.

N. S. McCarthy	1,084.82	
A. G. King	270.05	
Taxes—Wycoff	11.31	1366.18

ITEM 22 (f).

Miscellaneous Expense.

Prints	43.52		
Audit	639.00		
Office	387.19		
Preview—Tickets	565.90		
Hollywood C. of C.	232.00		
Bear Valley C. of C.	50.00		
Automobile	101.57		
Telephone & Telg.	174.11		
Projection	288.78		
Insurance	353.27		
Payroll	645.34		
Stationery	599.70		
Miscellaneous	195.02		
Research	1,423.35		
Midwick Club	203.50		
Holly. Ath. Club	140.84	6,043.09	
Tax		3.70	6,046.79

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Tentative - Not to Work 23

Form 1120
U. S. INTERNAL REVENUE
(Auditor's Stamp)

CORPORATION INCOME TAX RETURN
For Calendar Year 1928

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1929

Page 1 of Return

File Code 24

Serial Number

RECEIVED (Cashier's Stamp)
WITH REMITTANCE
MAR 15 1929
Coll. of Int. Rev.
Cash ( ) Check ( ) M. O. ( ) Cert. of Ind. ( )
First Payment
$ 214726
Credit
As

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

CECIL B. DE MILLE PRODUCTIONS, INC.
(Name)

METRO-GOLDWYN-MAYER STUDIO
(Street and number)

CULVER CITY CALIFORNIA
(Post office and State)

Date of Incorporation JUNE 10, 1922

Under the Laws of what State or Country CALIFORNIA

Kind of Business PRODUCER OF MOTION PICTURES

Is This a Consolidated Return of Two or More Corporations?

Item and Instruction No.		
	GROSS INCOME	
1	Gross Sales from Trading or Manufacturing, Less Returns and Allowances	$
2	Less Cost of Goods Sold:	
	(a) Inventory at close of preceding year	$
	(b) Merchandise bought for sale	
	(c) Cost of manufacturing or otherwise producing goods (From Schedule A)	
	(d) Total of lines (a), (b), and (c)	$
	(e) Less inventory at end of year	
3	Gross Profit from Trading or Manufacturing (Item 1 minus Item 2)	$
4	Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):	
	(a)	
	(b)	
	(c)	
5	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds	
6	Rents	
7	Royalties	
8	Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)	
9	Dividends on Stock of Domestic Corporations	
10	Other Income (including dividends received on stock of foreign corporations). (State nature of income):	
	(a)	
	(b)	
	(c)	
11	TOTAL INCOME IN ITEMS 3 TO 10	$
	DEDUCTIONS	
12	Compensation of Officers (From Schedule C)	$
13	Rent on Business Property	
14	Repairs (From Schedule D)	
15	Interest	
16	Taxes (From Schedule E)	
17	Losses (From Schedule F)	
18	Bad Debts (From Schedule G)	
19	Dividends (From Schedule H)	
20	Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)	
21	Depletion of Mines, Oil and Gas Wells, Timber, etc. (Submit schedule, see Instruction 21)	
22	Other Deductions Not Reported Above. (Explain below, or on separate sheet):	
	(a) Salaries and wages. (Not included in Item 2, 12, or 14 above)	
	(b) Net Loss for prior year. (Submit schedule)	
	(c)	
	(d)	
	(e)	
	(f)	
23	TOTAL DEDUCTIONS IN ITEMS 12 TO 22	$
24	NET INCOME (Item 11 minus Item 23)	$ 716,420.66

COMPUTATION OF TAX

25	Net Income (Item 24 above)	$	
26	Less Credit of $3,000 (for a domestic corporation having a net income of less than $25,360)		
27	Balance (Item 25 minus Item 26)	$	
28	Income Tax (12% of Item 27)	$	85,970.48
29	If the Net Income of a Domestic Corporation is less than $25,360, enter the amount in excess of $25,000		
30	Total Tax (Item 28 plus Item 29)	$	85,970.48
31	Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)	$	
32	Income and Profits Taxes Paid to a Foreign Country or United States possession by a domestic corporation (see Inst. 27)		
33	Balance of Tax (Item 30 minus Items 31 and 32)	$	85,970.48

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

9—1443

Page 2 of Return

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

[Not filled out.]

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

[Not filled out.]

SCHEDULE D—COST OF REPAIRS (See Instruction 14)

[Not filled out.]

SCHEDULE E—TAXES PAID (See Instruction 16)

[Not filled out.]

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

[Not filled out.]

SCHEDULE G—BAD DEBTS (See Instruction 18)

[Not filled out]

SCHEDULE H—DIVIDENDS DEDUCTIBLE (See Instruction 19)

[Not filled out]

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

[Not filled out]

[515]

Page 3 of Return

SCHEDULE K—BALANCE SHEETS (See Instruction 43)

[Not filled out.]

[516]

Page 4 of Return

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

[Not filled out.]

QUESTIONS

KIND OF BUSINESS

[Not filled out.]

AFFILIATIONS WITH OTHER CORPORATIONS

See Instruction 38

[Not filled out.]

PREDECESSOR BUSINESS

[Not filled out.]

BASIS OF RETURN

[Not filled out.]

VALUATION OF INVENTORIES

[Not filled out]

LIST OF ATTACHED SCHEDULES

[Not filled out.]

AFFIDAVIT

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year as stated, pursuant to the Revenue

Act of 1928 and the Regulations issued under authority thereof.

CECIL B. deMILLE,
President.

A. G. KING,
Treasurer.

[Corporate Seal]

Sworn to and subscribed before me this 14th day of March, 1929.

[Notarial Seal] GLADYS ROSSON,
Notary Public.

My Commission Expires June 12, 1930. [517]

March 15, 1929.

IT:CJP

Cecil B. De Mille Productions, Inc.,
Culver City, Calif.

Sir:

Receipt is acknowledged of your letter of recent date requesting, for the reasons therein given, extension of time within which to file your return of income for calendar year 1928.

PROVIDED A TENTATIVE RETURN IS FILED WITH THE COLLECTOR OF INTERNAL REVENUE FOR YOUR DISTRICT ON OR BEFORE March 15, 1929, AND PAYMENT MADE AT THAT TIME OF AT LEAST ONE-FOURTH OF THE TOTAL ESTIMATED TAX SHOWN THEREON TO BE DUE, you are hereby granted an extension of time to March 25, 1929.

Any deficiency in the first installment of tax will bear interest at the rate of one-half of one per cent a month from the original due date.

By a "tentative return" is meant a return on the appropriate income tax form, showing only the name and address of the taxpayer and the estimated amount, if any, of the tax due. The items and schedules shown on the form need not be filled in.

A copy of this letter must be attached to both the tentative and completed returns as authority for the extension of time herein granted. The completed return when filed should be plainly marked "completed return."

Respectfully,

D. H. BLAIR, Commissioner,

By GALEN H. WELSH, Collector.

#221.

Note: Tentative return filed accompanied by check in the Amount of $21,492.62. [518]

Form 1120
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE
(Auditor's Stamp)

CORPORATION INCOME TAX RETURN
For Calendar Year 1929

Page 1 of Return

File Code 182

Serial Number 4010

(Cashier's Stamp)

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1930

Tax - - - $ 104,112.36
Penalty - -
Interest - -
Total $

PRINT PLAINLY CORPORATION'S NAME AND BUSINESS ADDRESS

CECIL B DEMILLE PRODUCTIONS INC (Name)

METRO GOLDWYN MAYER STUDIO (Street and number)

CULVER CITY CALIFORNIA (Post office and State)

Basis OA or RAB RAR
Audited by EAA
Unit No.
LIST
Card Ledger

Date of Incorporation JUNE 10 1922

Under the Laws of what State or Country CALIFORNIA

Cash Check M. O. Cert. of Ind.
First Payment
$ 1353.10

Carded
As 6-Calif.

Kind of Business PRODUCER OF MOTION PICTURES

Is This a Consolidated Return of Two or More Corporations? NO

Line and Instruction No.

GROSS INCOME

1. Gross Sales from Trading or Manufacturing, Less Returns and Allowances			
2. Less Cost of Goods Sold:			
(a) Inventory at beginning of year	$		
(b) Merchandise bought for sale			
(c) Cost of manufacturing or producing goods (From Schedule A)			
(d) Total of lines (a), (b), and (c)	$		
(e) Less inventory at end of year			
3. Gross Profit from Trading or Manufacturing (Item 1 minus Item 2) METRO GOLDWYN MAYER PRODUCTION CONTRACT		$ 150 000 00	
4. Gross Profit from Operations Other Than Trading or Manufacturing. (State source of income):			
(a) OIL LEASE UNITS LEO D JACOBY		11 175 07	
(b) REAL ESTATE TRUST - LANKERSHIM SYN		282 78	
(c) OIL ROYALTY - NATIONAL ROYALTIES - PULLIAM WELL		2 798 61	
5. Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds		32 115 50	
6. Rents		279 508 09	
7. Royalties		102 483 22	
8. Profit from Sale of Real Estate, Stocks, Bonds, and other Capital Assets (From Schedule B)		41 129 70	
9. Dividends on Stock of Domestic Corporations			
10. Other Income (including dividends received on stock of foreign corporations) (State nature of income):			
(a) LIQUIDATING DIVIDENDS AS PER SCHEDULE		2 123 41	
(b) RECEIVED FROM UNKNOWN SOURCE		50 00	
(c) TEMPEST THEATRE RECOVERED ON ACCOUNT		188 12	
11. TOTAL INCOME IN ITEMS 3 TO 10			$ 416 888 96

DEDUCTIONS

12. Compensation of Officers (From Schedule C)	$ 198 850 00	
13. Rent on Business Property SEE REAL ESTATE CARRYING CHARGES FOR RENTS		
14. Repairs (Not Included in B) REAL ESTATE CARRYING CHARGES	32 331 68	
15. Interest INTEREST OTHER THAN REAL ESTATE CARRYING CHARGES	14 966 40	
16. Taxes (From Schedule E) TAXES OTHER THAN REAL ESTATE CARRYING CHARGES	3 924 69	
17. Losses (From Schedule F)	X	
18. Bad Debts (From Schedule G)	X	
19. Dividends (From Schedule H)	41 129 70	
20. Depreciation (resulting from exhaustion, wear and tear, or obsolescence) (From Schedule I)	6 077 13	
21. Depletion of Mines, Oil and Gas Wells, Timber, etc. (Submit schedule, see Instruction 21) PULLIAM WELL	769 61	
22. Other Deductions Not Reported Above. (Explain below, or on separate sheet):		
(a) Salaries and wages. (Not included in Item 2, 13, or 14 above)	19 935 00	
(b) BUSINESS DUES AND SUBSCRIPTIONS	3 578 46	
(c) LOSS ACCOUNT SALE OF AUTO 112 50 AUTO EXP 2387 00	2 499 50	
(d) PICTURE EXP 6387 17 PUBLICITY EXP 3782 09	10 169 26	
(e) YACHT EXP 23322 06 TRAVELLING EXP 321 14	23 643 20	
(f) OFFICE EXP 7308 84 KITCHEN EXP 2423 50	9 737 34	
23. TOTAL DEDUCTIONS IN ITEMS 12 TO 22		$ 367 611 97
24. NET INCOME (Item 11 minus Item 23)		$ 49 276 09

COMPUTATION OF TAX

25. Net Income (Item 24 above)	$ 49 276 09	28. Income Tax (12% of Item 27)	$ 5 420 37
26. Less Credit of $3,000 (for a domestic corporation having a net income of less than $25,360)	49 276 09	29. If net income of domestic corporation is less than $25,360, enter the amount over $25,000	5 420 37
27. Balance (Item 25 minus Item 26)	$	30. Total Tax (Item 28 plus Item 29)	$
31. Less: Income Tax Paid at Source. (This credit can only be allowed to a nonresident foreign corporation)		$	
32. Income Tax Paid to a Foreign Country or U. S. possession by a domestic corporation (see Inst. 27)			
33. Balance of Tax (Item 30 minus Items 31 and 32)			$ 5 420 37

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if paya

1355.10

SCHEDULE K—BALANCE SHEETS (See Instruction 43)

Items	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
ASSETS				
1. Cash		$ 243,142.80		$ 389,499.75
2. Notes receivable		297,222.65		160,586.14
3. Accounts receivable	$ 67,206.81		$ 10,672.95	
Less reserve for bad debts	.....	67,206.81	.....	10,672.95
4. Inventories:				
Raw materials	$		$	
Work in process	.....		.....	
Finished goods	.....		.....	
Supplies	.....		.....	
.....	.....		.....	
.....	.....	.....	.....	.....
5. Investments (nontaxable):				
Obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	$ 36,116.86		$ 35,076.23	
Securities issued under the Federal Farm Loan Act, or under such Act as amended	.....		.....	
Obligations of the United States or its possessions	4,987.50	41,104.36	5,007.81	40,084.04

SCHEDULE K—BALANCE SHEETS—(Cont'd)

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
6. Other investments:				
Stocks of domestic corporations	$970,467.93		$ 992,184.52	
Bonds of domestic corporations	53,707.68		90,263.83	
Stocks and bonds of foreign corporations	12,936.28		10,098.78	
All other investments or loans—Insurance	52,887.00	1,089,998.89	68,435.00	1,160,982.13
7. Deferred charges:				
Prepaid insurance	$		$	
Prepaid taxes				
All other—Salaries			1,060.00	1,060.00
8. Capital assets:				
Land—Livestock	$ 4,445.00	450,141.35	$ 4,445.00	532,233.69
Buildings	241,488.26		294,024.28	
Machinery and equipment	3,314.92		5,106.87	
Furniture and fixtures	18,307.41		24,258.94	
Delivery equipment	5,693.24		6,686.89	
Office on 3 yr. term			3,531.48	
Yacht and fixtures	58,642.01		59,671.51	
	$331,890.84		$ 397,724.97	
Less reserves for depreciation	97,042.90	234,847.94	119,607.42	278,117.55

SCHEDULE K—BALANCE SHEETS—(Cont'd)

Items	Beginning of Taxable Year Amount	Beginning of Taxable Year Total	End of Taxable Year Amount	End of Taxable Year Total
9. Picture rights		.....		475.00
10. Good will—Dramatic property		33,028.50		33,028.50
11. Other assets (describe fully):				
Pheasants and poultry	$ 2,699.50		$ 5,673.50	
Certificates of interest	5,750.00		8,516.32	
Club memberships	2,000.00	10,449.50	2,000.00	16,189.82
12. Total Assets		$2,467,142.80		$2,622,929.57
LIABILITIES				
13. Notes payable (less than one year)		$ 96,900.00		$ 317,385.97
14. Accounts payable		21,607.29		1,151.59
15. Bonds and notes (not secured by mortgage)		.....		.....
16. Mortgages (including bonds and notes so secured)		168,148.50		170,648.50
17. Accrued expenses:				
Interest	$		$	
Taxes	.....		.....	
All other	.....	.....	.....	.....

SCHEDULE K—BALANCE SHEETS—(Cont'd)

Items	Beginning of Taxable Year		End of Taxable Year	
	Amount	Total	Amount	Total
18. Other liabilities (describe fully):				
.....	.....		.....	
.....	.....	.....	.....	.....
19. Capital stock:				
Preferred stock (less stock in treasury)	$		$	
Common stock (less stock in treasury)	800,000.00	800,000.00	800,000.00	800,000.00
20. Surplus	$663,992.82		$1,332,487.01	
21. Undivided profits preceding 12 mo.	716,494.19	1,380,487.01	1,256.50	1,333,743.51
22. Total Liabilities		$2,467,142.80		$2,622,929.57

[520]

SCHEDULE L—RECONCILIATION OF NET INCOME AND ANALYSIS OF CHANGES IN SURPLUS

1.	Net income from Item 24, page 1 of the return	$ 49,276.09
2.	Nontaxable income:	
	(a) Interest on obligations of a State, Territory, or any political subdivision thereof, or the District of Columbia	1,736.27
	(b) Interest on securities issued under the Federal Farm Loan Act, or under such Act as amended	
	(c) Interest on obligations of the United States or its possessions	218.37
	(d) Dividends deductible under Section 23(p) of the Revenue Act of 1928	41,129.70
	(e) Proceeds of life insurance policies paid upon the death of the insured	
	(f) Other items of nontaxable income (to be detailed):	
	(1)	
	(2)	
	(3)	
3.	Charges against reserve for bad debts, if Item 18, page 1 of return, is not an addition to a reserve	
4.	Charges against reserves for contingencies, etc. (to be detailed):	
	(a)	
	(b)	
	(c)	
5.	Total of Lines 1 to 4, inclusive	$ 92,360.43
6.	Total from Line 14	91,103.93
7.	Net profit for year, as shown by books, before any adjustments are made therein (Line 5 minus Line 6)	$ 1,256.50
8.	Surplus and undivided profits as shown by balance sheet at close of preceding taxable year	1,380,487.01

9.	Other credits to surplus (to be detailed):	
	(a)	
	(b)	
	(c)	
10.	Total of Lines 7 to 9, inclusive	$1,381,743.51
11.	Total from Line 17	48,000.00
12.	Surplus and undivided profits as shown by balance sheet at close of taxable year (Line 10 minus Line 11)	$1,333,743.51
13.	Unallowable deductions:	
	(a) Donations, gratuities, and contributions	130.00
	(b) Income and profits taxes paid to the United States, and so much of such taxes paid to its possessions or foreign countries as are claimed as a credit in Item 32, page 1 of the return	85,979.30
	(c) Federal taxes paid on tax-free covenant bonds	
	(d) Special improvement taxes tending to increase the value of the property assessed	
	(e) Furniture and fixtures, additions, or betterments treated as expenses on the books	
	(f) Replacements and renewals	
	(g) Insurance premiums paid on the life of any officer or employee where the corporation is directly or indirectly a beneficiary	4,185.13
	(h) Interest on indebtedness incurred or continued to purchase or carry obligations or securities the interest upon which is wholly exempt from taxation	
	(i) Additions to reserve for bad debts which are not included in Item 18, page 1 of return	
	(j) Additions to reserves for contingencies, etc. (to be detailed):	
	(1)	
	(2)	
	(3)	

(k) Other unallowable deductions (to be detailed):		
(1) 1/4 Off Kitchen Expense acct. personal use		809.50
(2)		
(3)		
14. Total of Line 13	$	91,103.93
15. Dividends paid during the taxable year (state whether paid in cash, stock of the corporation, or other property):		
(a) Date paid, Jan. 1st. Character, cash	$	12,000.00
(b) Date paid, Apr. 1st. Character, cash		12,000.00
(c) Date paid, Jul. 1st. Character, cash		12,000.00
(d) Date paid, Oct. 1st. Character, cash		12,000.00
16. Other debits to surplus (to be detailed):		
(a)		
(b)		
(c)		
17. Total of Lines 15 and 16	$	48,000.00

QUESTIONS

KIND OF BUSINESS

[Not filled out]

3. Answers:

(a) General class (use key letter designation) C.

(b) Main income-producing business (give specifically the information called for under each key letter, also whether acting as principal, or as agent on commission; state if inactive or in liquidation) Motion picture producer acting under contract.

AFFILIATIONS WITH OTHER CORPORATIONS

See Instruction 38

[Not filled out.]

PREDECESSOR BUSINESS

6. Did the corporation file a return under the same name for the preceding taxable year? Yes. Was the corporation in any way an [illegible] result, continuation, or reorganization of a business or business in existence during this or any prior year since December 31, 1917? Yes. If answer is "yes," give name and address of each predecessor business, and the date of the change in entity. Cecil B. DeMille Co-Partnership—1922. Upon such change were any asset values increased or decreased? ..... If the answer is "yes," closing balance sheets of old business and opening balance sheets of new business must be furnished.

BASIS OF RETURN

7. Is this return made on the basis of actual receipts and disbursements? Yes. If not, describe fully what other basis or method was used in computing net income. No inventories are carried.

VALUATION OF INVENTORIES

[Not filled out.]

LIST OF ATTACHED SCHEDULES

9. Enter below a list of all schedules accompanying this return, giving for each a brief title and the schedule number. The name and address of the cor-

poration should be placed on each separate schedule accompanying the return.

Item 5 Interest recd.
7 Royalties.
8 Loss on sale of stocks and bonds.
9 Dividends.
14 Real estate carrying charges.
15 Interest pair.
22 Dues and sub. Auto exp. Pict. exp. Pub. exp. Yacht exp. Office exp. Kitchen exp.

The corporation's books are in care of.....
Located at ..... [521]

Page 4 of Return

SCHEDULE A—COST OF MANUFACTURING OR PRODUCING GOODS (See Instruction 2)

[Not filled out.]

SCHEDULE B—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

See schedule attached.

SCHEDULE C—COMPENSATION OF OFFICERS (See Instruction 12)

1. Name of Officer	Official Title	3. Time Devoted to Business	Shares of Stock Owned 4. Common	Shares of Stock Owned 5. Preferred	6. Amount of Compensation (Enter as Item 12)
Cecil B. DeMille	Pres.	All	5,794		$130,500.00
Mrs. C. A. DeMille	V. Pres.	Part	2,000		44,200.00
A. G. King	Secy.	All	2		15,600.00
Miss Gladys Rosson	Asst. Secy	All	2		8,550.00
					198,850.00

SCHEDULE D—COST OF REPAIRS
(See Instruction 14)

See schedule of real estate carrying charges attached.

SCHEDULE E—TAXES PAID (See Instruction 16)

1. Items	2. Amount (Enter as Item 16)
State license and gasoline	$ 111.28
State income tax	25.00
City and county personal property	1,453.70
City and county stocks and bonds	221.56
Federal stamps	1.00
Federal club dues	42.15
Total	$3,924.69

SCHEDULE F—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 17)

[Not filled out.]

SCHEDULE G—BAD DEBTS
(See Instruction 18)

[Not filled out.]

SCHEDULE H—DIVIDENDS DEDUCTIBLE
(See Instruction 19)

See schedule attached.

SCHEDULE I—EXPLANATION OF DEDUCTION FOR DEPRECIATION (See Instruction 20)

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Age When Acquired	4. Probable Life After Acquirement	5. Cost or Value as of March 1, 1913, Whichever Greater Exclusive of Land)	Amount of Depreciation Charged Off	
					6. Previous years	7. This year
Buildings	Various	Various	Various	$294,024.28	$43,488.41	$15,724.89
Machinery and equipment	"	"	"	5,106.87	1,842.77	912.18
Furniture and fixtures	"	"	"	24,258.94	3,714.45	2,314.93
Delivery equipment	"	"	"	6,686.89	1,555.00	1,124.89
Contract office	"	"	"	3,531.48		1,177.16
Yacht fixtures—yacht	"	"	"	59,671.51	43,775.77	345.97
Livestock	"	"	"	4,445.00	3,266.50	964.50
					$97,642.90	$22,564.52

AFFIDAVIT

We, the undersigned, president and treasurer of the corporation for which this return is made, being severally duly sworn, each for himself deposes and says that this return, including the accompanying schedules and statements, has been examined by him and is, to the best of his knowledge and belief, a true and complete return made in good faith, for the taxable year stated, pursuant to the Revenue Act of 1928 and the Regulations issued thereunder.

CECIL B. DEMILLE, President.
GLADYS ROSSON, Asst. Secy.
(Corporate Seal)

Sworn to and subscribed before me this 14th day of March, 1930.
(Notarial Seal) CLARA L. TELL, Notary Public.

ITEM 8

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
100	Anaconda Copper	12,930.00	14,040.35		1,110.35	
100	Armour & Co.	8,697.50	7,073.50	1,624.00		
100	Beth. Steel Corp.	10,825.00	13,575.90		2,750.90	
100	Canadian Pacific	21,235.00	22,556.50		1,321.50	
100	City Service	6,350.00	2,887.90	3,462.10		
35	Claude Neon	700.00	892.50		192.50	
85	"	71.20	4,992.05		4,920.85	
100	Commercial Solvents	23,335.00	36,446.00		13,111.00	
100	Cons. RR of Cuba	7,522.50	6,984.65	537.85		
82½	Fairways, Inc.	5,500.00	2,000.00	3,500.00		
150	Fokker Aircraft Corp.	1,500.00	1,800.00		300.00	
1000	Fox Theatre	36,150.00	23,947.50	12,202.50		
1000	Fox Theatre	36,150.00	24,072.50	12,077.50		
500	Fox Theatre	18,075.00	13,630.00	4,445.00		
1000	Fox Theatre	36,150.00	10,660.00	25,490.00		
1500	Fox Theatre	54,225.00	15,990.00	38,235.00		
300	General Motors	23,423.75	21,526.90	1,896.85		
100	Hudson & Manhattan	8,711.80	7,472.10	1,239.70		
100	"	5,922.50	4,910.05	1,012.45		
500	Interstate Equities	8,500.00	7,417.50	1,082.50		

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
1000	Maddux Air Lines	11,000.00	12,030.00		1,030.00	
100	Merchants Natl. Bank	24,035.00	24,799.48		764.48	
100	Natl. Cash Reg.	12,630.00	12,563.35	66.65		
100	Nash Motors	10,425.00	8,619.26	1,805.74		
102	Natl. Dairy Prods.	8,207.17	8,239.44		32.27	
100	N. Y. Central	24,135.00	16,616.00	7,519.00		
200	Northern Pac	14,795.00	20,327.95		5,532.95	
100	Northern Pipe	6,222.50	5,750.50	472.00		
100	Owens Bottle	9,210.00	7,772.44	1,437.56		
50	Pacific Indemnity	5,000.00	11,232.00		6,232.00	
400	Pioneer Pacific Worsted	13,000.00	worthless	13,000.00		
100	Richfield Oil Co.	2,453.75	2,425.00	28.75		
100	Transamerica	5,124.47	13,252.00		8,127.53	
100	"	5,166.46	13,327.00		8,160.54	
100	"	5,124.47	13,283.50		8,159.03	
100	"	5,124.47	13,283.50		8,159.03	
100	"	5,073.73	13,416.30		8,342.57	
100	"	5,366.53	15,569.00		10,202.47	
100	"	5,366.53	15,394.49		10,027.96	

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
50	Transamerica	2,632.48	7,697.25		5,064.77	
100	"	5,366.53	15,381.50		10,014.97	
100	"	5,366.53	15,331.50		9,964.97	
100	"	2,126.36	15,878.30		13,751.94	
800	"	17,002.84	49,816.00		32,813.16	
700	"	13,926.54	43,589.00		29,662.46	
151½	"	3,180.45		3,180.45		
100	U. S. Steel	18,730.00	19,599.30		869.30	
	Forward	571,766.06	638,069.96	134,315.60	200,619.50	
						[523]
	Bro't forward	571,766.06	638,069.96	134,315.60	200,619.50	
100	U. S. Smelt & Ref	5,722.50	5,175.50	547.00		
100	Wire Wheel Corp	3,222.50	2,972.95	249.55		
10M	Key System Transit	9,725.00	8,700.00	1,025.00		
10M	Pacific Public Serv	9,862.50	11,612.50		1,750.00	
5M	U. S. Treasury Cert	4,987.50	5,000.00		12.50	
1M	Republic of Bolivia	1,017.50	940.00	77.50		
2M	Republic of Peru	1,820.00	1,680.00	140.00		
		608,123.56	674,150.91	136,354.65	202,382.00	
			608,123.56		136,354.65	
			66,027.35		66,027.35	66,027.35

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Barneson-Margin a/c						
Jan						
100	Chandler Motors	2,768.93	3,823.50		1,054.57	
100	Otis Steel	3,447.50	4,173.50		726.00	
400	Rio Grande	68,940.00	76,657.50		7,717.50	
500	Transamerica	64,087.50	65,322.50		1,235.00	
	Interest	428.55		428.55		
Feb						
100	Fleishman	8,660.00	7,411.00	1,249.00		
100	Rio Grande	17,235.00	19,971.50		2,736.50	
100	Anaconda Cop	13,355.00	13,093.00	262.00		
	Interest	21.50		21.50		
Mar						
200	Continental Oil	4,970.00	5,054.20		84.20	
	Interest	57.85		57.85		
Apr						
100	Columbia Graphaphone	7,110.00	7,974.88		864.88	
	Interest	92.82		92.82		

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Barneson—Margin a/c						
May						
200	Otis Steel	8,132.50	8,752.00		619.50	
100	Am & For Power	11,405.00	10,566.00	839.00		
	Interest	100.36		100.36		
June						
100	Rio Grande	4,222.50	2,728.00	1,494.50		
	Interest	59.26		59.26		
July						
	Interest	52.63		52.63		
Aug						
100	Rio Grande	4,222.50	2,851.00	1,371.50		
100	Columbia Phono	6,860.02	6,427.38	432.64		
	Interest	82.74		82.74		
Sept						
100	United Aircraft	13,630.00	12,778.50	851.50		
	Interest	24.86		24.86		
		239,967.02	247,584.46	7,420.71	15,038.15	
			239,967.02		7,420.71	
	Net Gain Barneson a/c		7,617.44		7,617.44	7,617.44
					Forward	73,644.79

[524]

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
	Bro't forward	———	.....	.....	.....	73,644.79
Hutton—Margin a/c AGK						
Jan						
50	St. Louis & SW	6,056.25	5,141.75	914.50	.....	.....
100	Gardner Motors	1,735.00	1,877.30	.....	142.30	.....
100	Monty Ward	14,317.50	14,341.00	.....	23.50	.....
100	Mack Truck	10,750.00	11,221.00	.....	471.00	.....
100	Texas Gulf	7,835.00	7,661.00	174.00	.....	.....
50	Loose Wiles	3,275.00	3,193.23	81.77	.....	.....
	Interest	38.25	.....	38.25	.....	.....
Feb						
100	Consolidated Can	6,560.00	6,636.00	.....	76.00	.....
100	General Motors	8,410.00	8,077.10	332.90	.....	.....
	Interest	16.61	.....	16.61	.....	.....
Blythe & Co. (AGK)						
Feb						
300	Krueger & Toll	12,592.50	13,057.50	.....	465.00	.....
	Interest	19.71	.....	19.71	.....	.....

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Blythe & Co. (AGK)						
Mar						
300	Park Utah	4,080.00	3,532.38	547.62		
200	Barnsdale	8,645.00	8,903.00		258.00	
300	Rio Grande	11,817.50	11,628.00	189.50		
	Interest	52.84		52.84		
Apr						
300	Skelly Oil	12,285.00	13,512.00		1,227.00	
	Interest	78.91		78.91		
May						
	Sale of rites		157.30		157.30	
	Division of profits:					
	Gladys Rosson	46.69		46.69		
	A. G. King	46.68		46.68		
		108,658.44	108,938.56	2,539.98	2,820.10	
			108,658.44		2,539.98	
	Net gain on joint a/c		280.12		280.12	280.12

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Blythe & Co.—Gen. Margin a/c						
Mar						
	Interest	17.84		17.84		
Apr						
200	Rio Grande	8,370.00	7,927.00	443.00		
100	Pacific Western Oil	2,067.50	1,930.50	137.00		
500	Skelly Oil	20,725.00	22,582.50		1,857.50	
500	Elec. Power & Light	31,987.50	32,891.18		903.68	
	Interest	232.25		232.25		
May						
307½	Rio Grande	12,517.50	11,144.93	1,372.57		
900	Pacific Western Oil	18,982.50	19,119.50		137.00	
	Interest	407.04		407.04		
	Forward	95,307.13	95,595.61	2,609.70	2,898.18	73,924.91

[525]

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Blythe & Co. (Continued)						
	Bro't forward	95,307.13	95,595.61	2,609.70	2,898.18	73,924.91
June						
500	Skelly Oil	21,750.00	19,395.00	2,355.00		
200	Pan American	12,795.00	12,351.00	444.00		
200	Anaconda Copper	20,760.00	20,823.50		63.50	
100	Anaconda Copper	10,305.00	10,705.50		400.50	
	Interest	167.33		167.33		
July						
300	Pan American	19,230.00	18,676.50	553.50		
200	United Corp	14,557.50	14,122.00	435.50		
100	Columbia Graph	6,572.50	6,239.88	332.62		
200	Kreuger & Toll	8,340.00	8,047.50	292.50		
	Interest	158.23		158.25		
Aug						
100	General Motors	8,425.00	7,364.60	1,060.40		
100	General Motors	7,022.50	6,889.60	132.90		
100	Lambert	14,530.00	14,066.00	464.00		
100	Columbia Graph	6,572.50	6,427.38	145.12		

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Blythe & Co. (Continued)						
Aug (cont.)						
200	Radio Corp	17,225.00	17,742.00		517.00	
100	Columbia Gas & Elec	9,312.50	9,371.00		58.50	
100	Intl. Tel & Tel	11,255.00	11,741.00		486.00	
200	Yellow Truck	7,615.00	7,259.20	355.80		
300	"	11,610.00	10,738.80	871.20		
100	Natl. Cash Reg	12,830.00	12,241.00	589.00		
	Interest	315.18		315.18		
Sept						
	Interest	223.72		223.72		
Oct						
100	American Can	17,880.00	17,869.00	11.00		
	Interest	118.66		118.66		
Nov						
1½	Murray Body		28.30		28.30	
		334,877.75	327,694.37	11,635.36	4,451.98	
		327,694.37		4,451.98		
Net Loss on Blythe & Co.		7,183.38		7,183.38		7,183.38

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Blythe & Co.—Spl. Margin a/c						
Apr						
100	Mexican Seaboard	5,447.50	5,523.50		76.00	
	Interest	63.12		63.12		
May						
500	Richfield Oil	22,975.00	23,395.00		420.00	
	Interest	150.50		150.60		
June						
200	Freeport Texas	9,340.00	9,252.00	88.00		
	Interest	47.38		47.38		
	Forward	38,023.60	38,170.50	349.10	496.00	66,741.53

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ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
	Bro't forward	38,023.60	38,170.50	349.10	496.00	66,741.53
Blythe & Co. Spl. Margin						
July						
200	Mexican Seaboard	10,845.00	7,802.00	3,043.00		
200	" " rites	1,600.00	1,979.25		379.25	
100	Bendix Aviation	9,487.50	9,721.00		233.50	
200	Utilities Pr & Lite	9,890.00	10,447.00		557.00	
100	Radio Corp	8,612.50	8,808.50		196.00	
100	Columbia Graph	6,697.50	6,239.88	457.62		
200	Krueger & Toll	8,340.00	8,010.00	330.00		
	Interest	41.45		41.45		
Aug						
50	Worth. Pump	3,293.75	3,773.00		479.25	
100	Columbia Graph.	6,697.50	6,427.38	270.12		
100	Columbia Gas & Elec	9,312.50	9,371.00		58.50	
200	Yellow Truck	7,615.00	7,259.20	355.80		
	Interest	22.31		22.31		
		120,478.61	118,008.71	4,869.40	2,399.50	
		118,008.71		2,399.50		
Net Loss on Blythe & Co.		2,469.90		2,469.90		2,469.90

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Hutton & Co., Margin a/c						
Jan						
100	Owens Bottle	9,210.00	9,301.50		91.50	
200	Packard Motors	29,510.00	30,189.20		679.20	
100	Rio Grande	17,810.00	17,867.50		57.50	
200	Cast Iron Pipe	10,208.00	9,253.40	954.60		
500	Gardner Motors	8,437.50	9,761.50		1,324.00	
100	National Cash Reg.	10,212.50	11,871.00		1,658.50	
200	Packard Motors	29,610.00	29,289.20	320.80		
100	"	14,530.00	14,569.60		39.60	
100	"	14,342.50	14,569.60		227.10	
	Insurance	1.00		1.00		
100	Packard Motors	14,130.00	14,644.60		514.60	
100	Radio Corp	36,200.00	36,646.00		446.00	
	Insurance	3.80		3.80		
	Interest	1,181.58		1,181.58		

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Hutton & Co. Margin a/c						
Feb						
10	Owens Bottle	.....	933.63	.....	933.63	.....
200	Cast Iron Pipe	10,208.00	8,703.40	1,504.60	.....	.....
100	Radio Corp	36,450.00	38,446.00	.....	1,996.00	.....
100	Canadian Pacific	24,635.00	24,936.00	.....	301.00	.....
900	Cast Iron Pipe	45,936.00	38,290.30	7,645.70	.....	.....
100	Loews, Inc.	7,622.50	7,873.50	.....	251.00	.....
300	"	22,717.50	26,097.50	.....	3,380.00	.....
100	Radio Corp.	35,850.00	39,146.00	.....	3,296.00	.....
	Forward	378,805.88	382,389.43	11,612.08	15,195.63	64,271.63
						[527]
	Bro't forward	378,805.88	382,389.43	11,612.08	15,195.63	64,271.63
100	Radio Corp	39,175.00	39,146.00	29.00	.....	.....
	Interest	1,211.03	.....	1,211.03	.....	.....

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Hutton & Co., Margin a/c						
Mar						
2000	Alaska Juneau	13,687.50	17,742.00		4,054.50	
100	Sinclair Oil	3,797.50	3,923.50		126.00	
100	Hiram Walker	8,510.00	8,086.00	424.00		
100	Interl. Cement	9,472.50	9,673.50		201.00	
100	Natl. Dairy Prods	13,030.00	13,253.50		223.50	
100	Simmons Bed	10,075.00	9,886.00	189.00		
100	Continental Can	6,972.50	7,373.50		401.00	
100	Cast Iron Pipe	5,104.00	4,876.70	227.30		
100	Commercial Solvents	25,740.00	26,456.00		716.00	
100	Anaconda Copper	14,930.00	15,318.00		388.00	
100	Natl. Cash Register	12,780.00	12,966.00		186.00	
100	American Smelting	11,175.00	11,346.00		171.00	
100	Beth. Steel	9,910.00	10,921.00		1,011.00	
	Interest	1,007.11		1,007.11		
Apr						
100	Calif. Packing	7,810.00	7,471.00	339.00		
1000	Universal Cons. Oil	3,667.31	1,879.80	1,787.51		
100	Fox Theatre	3,722.50	2,776.00	946.50		

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Hutton & Co., Margin a/c						
Apr. (Contd)						
100	Mack Truck	10,825.00	9,873.50	951.50		
1000	Sinclair Oil	41,225.00	37,760.00	3,465.00		
1000	Rio Grande	40,725.00	40,885.00		160.00	
500	Patimo Mines	20,112.50	20,146.00		33.50	
500	Radio Corp	48,125.00	48,855.00		730.00	
	Interest	1,419.74		1,419.74		
May						
300	General Motors	24,105.00	24,036.30	68.70		
	Interest	902.21		902.21		
June						
500	General Motors	42,250.00	36,698.00	5,552.00		
300	Atlantic Refg.	20,605.81	21,129.50		523.69	
100	Elec. Investment	15,630.00	16,853.50		1,223.50	
100	Commercial Solv.	35,261.35	36,946.00		1,684.65	
100	General Elec.	28,440.00	29,756.00		1,316.00	
	Transfer Pac. Ind	1.00		1.00		
200	Rites U. S. Steel		879.42		879.42	
	Interest	617.48		617.48		
July						
	Interest	655.17		655.17		
	Forward	911,483.09	909,302.15	31,405.33	29,224.39	64,271.63

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ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
	Bro't forward	911,483.09	909,302.15	31,405.33	29,224.39	64,271.63
Hutton & Co.—Margin a/c						
Aug						
100	Standard Oil of Cal	7,925.00	7,036.00	889.00		
300	Sinclair Oil	11,610.00	9,978.00	1,632.00		
500	Chrysler Motors	38,000.00	37,117.50	882.50		
600	Baldwin Loco.	39,195.00	38,476.00	719.00		
100	Paramount Players	6,660.00	7,036.00		376.00	
200	Radio-Keith-O.	7,815.00	6,952.00	863.00		
300	Simmons Bed	37,915.00	40,248.00		2,333.00	
	Interest	194.44		194.44		
Sept						
400	Baldwin Loco	26,130.00	25,384,00	746.00		
500	Pan America	34,112.50	32,690.00	1,422.50		
200	Loose-Wiles	16,537.50	16,610.50		73.00	
	Interest	538.04		538.04		

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Hutton & Co., Margin a/c						
Oct						
100	Consolidated Gas	14,230.00	15,928.50		1,698.50	
100	Grt. Northern Ry	11,130.00	10,766.00	364.00		
100	Radio Corp	8,325.00	9,171.00		846.00	
100	Westinghouse Elec	21,835.00	23,263.00		1,428.00	
100	American Can	16,330.00	17,894.00		1,564.00	
100	U. S. Steel	21,510.00	23,161.00		1,651.00	
500	Radio-Keith-O.	19,162.50	13,880.00	5,282.50		
100	Murray Body	7,419.00	3,676.00	3,743.00		
100	American Can	13,980.00	15,269.00		1,289.00	
100	Western Elec	16,530.00	18,468.00		1,938.00	
	Interest	1,227.61		1,227.61		
Nov						
100	American Can	16,830.00	10,569.00	6,261.00		
100	"	15,680.00	10,669.00	5,011.00		
100	"	14,130.00	10,369.00	3,761.00		
100	Amer Tel & Tel	28,640.00	21,061.00	7,579.00		

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Hutton & Co.—Margin a/c						
Nov. (Cont.)						
100	Amer. Tel. & Tel.	25,540.00	21,161.00	4,379.00		
100	Claude Neon	4,420.00	3,178.00	1,242.00		
100	Erie RR	9,287.50	4,488.50	4,799.00		
500	Fox Film	36,065.00	29,867.50	6,197.50		
500	U. S. Pipe	25,520.00	8,908.50	16,611.50		
100	U. S. Steel	25,040.00	17,266.00	7,774.00		
100	U. S. Steel	23,235.00	17,466.00	5,769.00		
100	U. S. Steel	20,935.00	17,566.00	3,369.00		
100	Fox Film	6,372.50	5,973.50	399.00		
300	Radio-Keith-O.	5,452.50	5,335.50	117.00		
100	Fox Film	6,235.00	6,273.50		38.50	
500	"	30,625.00	31,180.00		555.00	
	Interest	1,376.94		1,376.94		
	Forward	1,585,179.12	1,503,638.65	124,554.86	43,014.39	64,271.63

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ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
	Brot. Forward	1,585,179.12	1,503,638.65	124,554.86	43,014.39	64,271.63
Hutton & Co.—Margin						
Dec						
200	Claude Neon	8,565.00	6,606.00	1,959.00		
200	Commercial Solv	7,640.00	5,452.00	2,188.00		
2000	Fox Theatres	24,350.00	14,432.50	9,917.50		
100	General Food	7,122.50	4,588.50	2,534.00		
100	Loews, Inc.	4,220.00	4,076.00	144.00		
100	Montgomery Ward	12,680.00	4,851.00	7,829.00		
300	"	28,380.00	14,515.50	13,864.50		
100	"	5,222.50	4,626.00	596.50		
180	Murray Body	13,356.00	3,322.80	10,033.20		
100	N. Y. Central	20,235.00	16,991.00	3,244.00		
500	Paramount	35,837.50	25,367.50	10,470.00		
100	"	6,722.50	4,738.50	1,984.00		
200	"	8640.00	9,602.00		962.00	
100	"	4,670.00	4,738.50		68.50	
500	Radio Corp	23,860.00	20,067.50	3,792.50		
200	Radio-Keith-O	3,635.00	3,482.00	153.00		
200	Rossian Ins.	12,595.00	7,459.20	5,135.80		
200	Skelly Oil	7,290.00	6,183.00	1,107.00		

ITEM #8 (Continued)

Schedule of Profit & Loss on Sale of Stocks & Bonds

Shs	Corporation	Cost	Sold	Loss	Gain	Net Profit
Hutton & Co.—Margin a/c						
Dec. (Cont.)						
100	Standard Oil of NJ	5,522.50	6,176.50	.....	654.00	.....
200	Texas Corp.	13,820.00	10,978.00	2,842.00	.....	.....
200	U. S. Steel	34,860.00	33,057.00	1,803.00	.....	.....
200	U. S. Pipe	4,035.00	3,663.40	371.60	.....	.....
100	United Corp	6,222.50	3,113.50	3,109.00	.....	.....
100	Western Elec	16,130.00	13,068.00	3,062.00	.....	.....
200	Fox Film	10,745.00	11,047.00	.....	302.00	.....
100	Paramount	4,570.00	4,801.00	.....	231.00	.....
151	Transamerica Rites	18.64	.....	18.64	.....	.....
	Interest	1,273.64	.....	1,273.64	.....	.....
		1,917,397.40	1,750,642.55	211,986.74	45,231.89	.....
		1,750,642.55	.....	45,231.89	.....	.....
		166,754.85	.....	166,754.85	.....	166,754.85
Net Loss on Sale of Stocks and Bonds						102,483.22

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ITEM #5

Schedule of Interest Received

Taxable		
Notes and Mortgages		
Andreani-Schultz	$2,434.53	
W. Buckland	69.99	
F. D. Baker	40.52	
Calif. Air Constr.	481.50	
Geo. H. Flebbe	501.72	
"	375.66	
August Fhyn	627.64	
F. S. Hilpert	420.00	
Hutton & Co.	7,177.08	
L. D. Jacoby	11.66	
M. L. Leisen	64.30	
Mrs. B. McGaffey	206.62	
Jeanie Macpherson	53.67	
C. O. Raynsford	234.00	
Royal Dairy Prods	2,258.66	
Salt River Valley Land Co.	412.57	
San Pedro Realty Co.	1,713.00	
F. C. van Deinse	1,050.00	
C. V. Williams	21.00	
A. G. King-Lyne	257.11	
A. G. King	244.06	$18,655.29
Bonds—Domestic		
American Ins. Union	$ 300.00	
Atlantic Gulf & WI	250.00	
Boston & Maine	127.08	
Chicago & Milwaukee	275.00	
Federal Water Service	95.49	
Golden State Milk	300.00	
Harrison Bldg.	300.00	
Interl. Tel. & Tel.	150.00	
Key System Transit	275.00	
Missouri Pacific	274.72	
No. American Water Wks.	600.00	
Pacific Public Service	293.89	
Pacific Finance	116.11	

ITEM #5 (Continued)

Schedule of Interest Received

Bonds—Domestic		
Sinclair Cons. Oil	175.96	
St. Louis & San Francisco	171.87	
Transcontinental Oil	137.22	
	$3,842.34	
Less Seaboard Air Line	38.78	3,803.56
Bonds—Foreign		
Republic of Bolivia	$ 492.00	
" of Peru	120.67	
Savon Pub. Wks.	350.00	962.67
Forward		$23,421.52

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Bro't forward			23,421.52
Bank Accounts			
Bank of Italy—CC Gen.	405.09		
" CC Spl.	7,494.43		
" CC Sav.	359.04		
" Hollywood	110.54		
Bank of America—NY	83.06		
Valley Bk. of Phoenix	202.28		
Bank of Montreal	29.50	8,683.94	
Sundry			
Producers International		10.04	
Total Taxable interest			32,115.50
Non-Taxable			
Bonds—Federal			
U. S. Treasury Cert.		218.37	
Bonds—Municipal			
Beverly Hills	250.00		
L. A. Bridge & Viaduct	450.00		
L. A. Elec. Plant	225.00		
Pasadena Water Works	95.00		
State of California Harbor	200.00		
Wash. St. Improvement	516.27	1,736.27	
Total Non-taxable interest			1,954.64

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ITEM #7

Schedule of Royalties

Picture Royalties			
Pathe			
Sundry Pictures	44,808.82		
Godless Girl	155,473.40	200,282.22	
Cinema			
"King of Kings"		62,438.34	
Famous Players			
Ten Commandments	17,337.01		
Less Macpherson	799.48	16,537.53	
Total Royalties			279,258.09
Magazine Rights			
Dynamite	500.00		
Less Macpherson	250.00		
Total magazine rights			250.00
Total Royalties			279,508.09

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ITEM #9

Schedule of Dividends Received

American Snuff	1,400.00
Armour Packing Co.	525.00
American Tel. & Tel.	1,062.00
American Smelt. & Ref.	300.00
Anaconda Copper	175.00
Atlantic Refining	150.00
Auburn Motors	10.00
American Can	525.00
Boston Food Prods.	306.25
Bancitaly Corp.	1,188.00
Bank of Italy	1,816.00
Bank of America	365.61
Baltimore & Ohio	501.25
Bethlehem Steel	717.50

ITEM #9 (Continued)

Schedule of Dividends Received

Central Investment	1,869.00
Canadian Pacific	750.00
Claude Neon	873.75
Consolidated RR. of Cuba	150.00
Commercial Solvents	400.00
Columbia Phono	29.10
California Packing	100.00
Chesapeake & Ohio	562.50
Chicago-Rock Island	525.00
City Service	5.00
Famous Players	675.00
Fleishman Yeast	125.00
Federal Water Service	10.00
Grand Central Garage	1,000.00
General Motors	2,072.50
General Food Prods.	75.00
Hudson & Manhattan	250.00
Hiram Walker	75.00
Inland Steel	350.00
Lankershim	450.00
Merchants Natl. Bank	125.00
Montgomery Ward	375.00
Murray Body	150.00
Mach Truck	150.00
National Royalties	476.40
National Cash Register	75.00
Nash Motors	300.00
Northern Pacific Ry.	500.00
Norfolk	600.00
Northern Pipe	200.00
National Dairy Prods.	114.37
New York Central	200.00
Forward	22,654.23

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ITEM #9 (Continued)

Schedule of Dividends Received

Bro't forward	22,654.23	
Owens Bottle	400.00	
Otis Steel	350.00	
Pacific Mutual	400.00	
Packard Motors	675.00	
Pacific Indemnity	525.00	
Pere Marquette	300.00	
Penn Ry.	100.00	
Richfield Oil Co.	456.25	
Rio Grande	103.00	
Standard Oil of Ky.	630.00	
Southern Pacific Ry.	600.00	
So. Calif. Edison Co.	210.00	
Standard Oil of Cal.	312.50	
" Ind.	593.75	
" N. Y.	160.00	
" N. J.	50.00	
Santa Fe Ry.	250.00	
Skelly Oil	400.00	
Sinclair Oil Co.	975.00	
Transamerica	7,268.00	
Texas Corporation	150.00	
Union Pacific RR.	1,000.00	
U. S. Smelting & Ref.	175.00	
U. S. Pipe	250.00	
U. S. Steel Corp.	1,075.00	
U. S. Cast Iron Pipe	500.00	
Van de Kamps	151.88	
Western Elec.	100.00	
Western Pipe	325.00	
	41,139.61	
Pacific Finance	9.91	
Total		41,129.70

Liquidating Dividends

Los Angeles Speedway	923.41	
Producers International	1,200.00	
Total		2,123.41

ITEM #14

Schedule of Real Estate Carrying Charges

Fernangeles			
Taxes	145.22		
Interest	28.25		
Insurance	58.75		
Water	10.31		
Depreciation	312.18		
	Gross expense	554.71	
	Rentals	62.50	
Net carrying charge			492.21
Hollywood Blvd.			
Taxes	624.70		
Interest	89.00		
Insurance	45.00		
Light	16.82		
Water	9.36		
Commission	1,053.00		
Depreciation	106.97		
	Gross expense	1,944.85	
	Rentals	739.00	
Net carrying charge			1,205.85
Ivar Ave.			
Taxes	322.29		
Interest	600.00		
Net carrying charge			922.29

ITEM #14 (Continued)

Schedule of Real Estate Carrying Charges

Laughlin Park			
Taxes		5,562.63	
Interest		2,450.00	
Insurance		91.00	
Light		20.00	
Water		684.87	
Repairs		1,330.74	
Ant control		667.25	
Fertilizer		417.10	
Depreciation		5,302.87	
Sundry Expense		44.28	
Gardening & Watchman			
L. J. Hansen	2,310.00		
F. R. Richards	1,682.50		
Geo. Folsey	927.50		
T. M. Fitchard	830.71		
A. F. Kroeke	465.00		
Henry Loose	190.00		
Joe Lavin	20.00		
Extra help	10.00		
	6,435.71		
Watchman refund	582.00	5,853.71	
		21,824.45	
	Rentals	6,600.00	
Net carrying charge			15,224.45
		Forward	17,844.80

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ITEM #14 (Continued)

Schedule of Real Estate Carrying Charges

Bro't forward			17,844.80
Royal Palms			
Taxes		804.08	
Interest		5,811.80	
Insurance		659.57	
Light		138.32	
Water		200.00	
Gas		317.36	
Repairs		524.61	
Cleaning		40.00	
Janitor—Hendrickson		1,200.00	
" supplies		43.45	
Power		110.53	
Lawn		27.00	
Depreciation		2,098.10	
		11,974.82	
Rentals			
Campbell	680.00		
Hendrickson	180.00		
Loeffler	435.00		
Finen	1,000.00		
Berg	1,080.00		
Butcher	1,375.00		
Payne	1,120.00		
Taylor	630.00		
Gowling	270.00		
Berliner	293.20		
Little	308.75		
Massie	300.00		
Stevenson	225.00		
Hammond	180.00		
Hammond	125.00		
Commission	1.50½	8,203.45	
Net carrying charge			3,771.37

ITEM #14 (Continued)

Schedule of Real Estate Carrying Charges

No. Side Sunset			
Taxes		856.11	
Interest		1,123.89	
Light		24.44	
Clearing lot		21.25	
Sundry		.02	
		2,025.71	
Rentals			
Foster & Kleiser	44.60		
Peterson	385.00	429.60	
Net carrying charge			1,596.11
		Forward	23,212.28

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Bro't forward		23,212.28	
So. Side Sunset			
Taxes	133.59		
Interest	23.44		
Lighting	1.68		
Recording	.31		
	159.02		
Rentals			
Foster & Kleiser	5.62		
Net carrying charge		153.40	
Ventura Blvd.			
Taxes		170.86	
Veteran Ave.			
Taxes	135.85		
Insurance	19.50		
Repairs	34.90		
Depreciation	148.46		
	338.71		
Rentals			
Reiker	266.25		
Net carrying charge		72.46	

ITEM #14 (Continued)

Schedule of Real Estate Carrying Charges

Observatory Ave.			
Taxes	402.13		
Insurance	128.00		
Depreciation	742.20		
	1,272.33		
Rentals			
Faye	750.00		
Net carrying charge		522.33	
			24,131.33
Highland Ave.			
Taxes	924.85		
Insurance	427.00		
Light	21.91		
Depreciation	2,269.75		
	3,643.51		
Rentals			
Hollywood Corp.	5,353.33		
Net credit against carrying charge		1,709.82	
Kingsley Drive			
Repairs	5.00		
Depreciation	674.52		
	679.52		
Rentals			
Henderson	2,100.00		
Net credit against carrying charge		1,420.48	
Forward		3,130.30	24,131.33

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ITEM #14 (Continued)

Schedule of Real Estate Carrying Charges

Bro't forward		3,130.30	24,131.33
Vine St.—1628			
Repairs	53.71		
Commission	38.88		
Recording	2.22		
Sundry	2.22		
	97.03		
Rentals			
Parking space	1,711.05		
Net credit against carrying charges		1,614.02	
Total credit against carrying charges			4,744.32
Total carrying charge on City real estate			19,387.01
RANCH			
Taxes			
Cereghino		8.66	
Olmstead		28.99	
Hunter		246.02	
Wyatt		118.42	
Wyckoff		23.04	
Zens		159.86	584.99
Interest			
Hunter		2,228.88	
Olmstead		840.00	
Wyatt		90.00	
Zens		700.00	3,858.88
Insurance			213.22
Repairs			193.67
Auto & Truck Expense			155.16
Material			212.20
Light & Power			277.61
Tel & Tel			31.65

ITEM #14 (Continued)

Schedule of Real Estate Carrying Charges

Veterinary		15.50
Petaluma Laboratory		31.10
Spraying		232.80
Pruning		231.25
Feed & Seed & Stock		369.64
Feed—Pheasantry		1,341.74
Depreciation		4,069.84
Water report		150.00
Sundry expense		508.85
Labor		
A. E. Floyd	1,500.00	
Geo. van Aken	2,400.00	
Joe Santana	400.00	
W. Huling	312.00	
V. Huling	20.00	
John Ross	100.00	
F. D. Baker	101.80	
C. L. Jones	51.34	
Sundry labor	24.06	4,909.20
Sales		17,387.30
Oranges	620.26	
Lemons	974.58	
Pheasants	957.79	
Increase in Inventory	1,890.00	4,442.63
Total carrying charge of ranch		12,944.67
Total real estate carrying charge		32,331.68

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ITEM #15

Schedule of Interest Paid (Other than on Real Estate)

Bank Loans		
Bancitaly		
91 shs Bank of America	691.52	
173 " Bank of Italy	182.26	873.78
Bank of Italy		
5000 Rio Grande	701.91	
5000 Fox Theatre	9,821.06	10,522.97

ITEM #15 (Continued)

Schedule of Interest Paid (Other than on Real Estate)

Insurance Loans			
Guardian Life			
#308117	319.75		
308118	319.75	639.50	
New York Life			
#607046	357.00		
607047	357.00	714.00	
Personal Loans			
Cecil B. deMille	2,213.30		
Jas. V. Murray	2.85	2,216.15	
Total Interest Paid			14,966.40

Note: See Real Estate carrying charge for interest on mortgages.

ITEM #16

Schedule of General Taxes

State			
Gasoline	108.28		
Auto License	3.00		
Income Tax	25.00	136.28	
Federal			
Clubs	42.15		
Stamps	1.00	43.15	
City & County			
Yacht	388.00		
Veteran Ave.	11.98		
Margin a/c	494.65		
Stock	1,796.91		
Personal Property	1,053.72	3,745.26	
Total Taxes			3,924.69

ITEM #20

Schedule of Depreciation

	Cost	Probable Life	Rate of Depreciation	Previously Written Off	Written Off This Year
Real Est. Improvements					
Fernangeles	6,243.57	20 year	5%	1,404.81	312.18
Hollywood Blvd.	21,394.08	33 "	3% for 2 mo.	—	106.97
Highland Ave.	45,395.05	20 "	5%	7,806.72	2,269.75
Kingsley Drive	25,305.83	20 "	5% for 6 mo.	—	674.52
Laughlin Park	106,057.43	20 "	5%	28,598.77	5,302.87
Observatory Ave.	14,844.03	20 "	5%	2,164.75	742.20
Royal Palms	59,945.86	30 "	3½%	1,923.26	2,098.10
Veteran Ave.	2,969.20	20 "	5%	74.23	148.46
Hunter Ranch	806.40	5 "	20%	241.92	161.28
Wyatt Ranch	6,032.97	5 "	20% for 9 mo.	34.66	881.21
Wyckoff " Pheasantry	4,782.10	None	Written off	1,239.29	3,027.35
			Total		15,724.89

Note: See Real Est. Carrying Charge for deduction:

ITEM #20 (Continued)
Schedule of Depreciation

	Cost	Probable Life	Rate of Depreciation	Previously Written Off	Written Off This Year
Fancy Horse					
Bourbon Duchess	4,300.00	4 year	22%	3,225.00	950.00
Note: See Publicity for deduction:					
Furniture & Fixtures					
Office	14,276.22	10 year	10%	3,565.65	1,427.62
Bungalow	8,159.26	10 "	10%	—	815.93
Dining Room	184.23	10 "	10%	46.22	18.42
Ranch House	529.65	10 "	10%	102.58	52.96
			Total		2,314.93
—ense a/c Contract					
Bungalow Office	3,531.48	3 "	33⅓%	—	1,177.16
Automobiles					
Franklin	1,200.00	sold	—	600.00	187.50
Buick	1,593.65	5 year	20%	—	106.24
Lincoln	5,093.24	5 "	20%	955.00	1,018.65
			Total		1,312.39

ITEM #20 (Continued)

Schedule of Depreciation

	Cost	Probable Life	Rate of Depreciation	Previously Written Off	Written Off This Year
Equipment					
Laughlin Park—tools	225.00	5 ''	20%	22.50	45.00
Ranch Implements	4,335.89	5 ''	20%	1,820.87	867.18
					912.18
Yacht					
Seaward	56,074.34	—	—	43,282.54	—
Furn & Fix	3,459.67	10 year	10%	—	345.97
Livestock					
Draft Horses	145.00	10 year	10%	41.50	14.50
			Total depreciation taken as Item #20.....		6,077.13

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ITEM 22 (a)

Schedule of Salaries Paid (Other than officers)

Neil S. McCarthy	$10,400.00	
R. A. Treacy	3,160.00	
Ray Snider	2,940.00	
Clara L. Tell	1,600.00	
Nancy Adams	920.00	
F. M. Pennyfeather	280.00	
E. Jones	380.00	
Irene Fogalquist	220.00	
F. Cole	35.00	
Total of salaries		$19,935.00

ITEM #22 (b)

Schedule of Dues & Subscriptions

Chamber of Commerce			
Hollywood	252.00		
State of California	100.00	352.00	
Managers Business Clubs			
Midwick	262.00		
Hollywood Athletic	113.00	375.00	
Automobile Club			
Southern Calif.		13.00	
Moving Picture Assn.			
Assn. of M. P. Prod.	2,750.00		
Studio Carpenters	5.00	2,755.00	
Periodicals			
"Close Up"	3.66		
Film Daily	10.00		
Herald World	3.00		
Hollywood Magazine	3.00		
Los Angeles Times	10.80		
National Geographic	7.00		
New York Times	7.00		
Mo. Picture Review	2.00		
"Script"	20.00		
"Sportsman"	6.00		
The Film Spectator	5.00		
Worlds Work	6.00	83.46	
Total Dues & Subscriptions			3,578.46

ITEM #22 (c)

Schedule of Automobile Expense

Gas & Oil	824.85	
Tires	79.30	
Insurance	390.57	
Repairs	724.11	
A. G. King's car	137.97	
Garage rent	111.50	
Auto Hire	24.50	
Chauffeur's expense	83.91	
Sundry expense	10.29	
Total		2,387.00

ITEM #22 (d)

Schedule of Picture Expense

Projecting	207.00
Rina de Liguora	1,700.00
W. Buckland	1,900.00
Special Gordes	15.85
Developing & Printing	94.73
Tickets for Previewing	786.22
Photos	100.00
Research	546.00
Story Prizes	1,000.00
First Aid Medicine	25.37
Repairs to Camera	2.00
Film Rental	10.00
	6,387.17

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ITEM #22 (d)

Schedule of Publicity Expense

Advertising		780.00	
Fancy Horse			
Care & feed	1,320.10		
Horse Show	728.49		
Veterinary	3.50		
Depreciation	9.50	3,002.09	
Total Publicity Expense			3,782.09

ITEM #22 (e)

Schedule of Yacht Expense

Insurance		1,980.63
Food		3,889.32
Repairs		3,346.80
Laundry		401.25
Fuel		393.30
Utensils		92.23
Music		103.19
Yacht Club		415.46
Moving		30.00
Uniforms		535.00
Sundry Expense		5.40
Labor		
Ed McNeary	3,562.50	
J. M. Shiffer	3,290.00	
Bob McNeary	368.00	
Thos. M. Bachi	1,330.00	
Jules Berry	1,175.00	
Henry Fishman	700.00	
Ed Bogelund	245.33	
Gurtof Swenson	138.66	
K. Jessen	216.00	
Lyle Crandall	560.66	
Thos. M. Sharpe	272.67	
Wm. Ericksen	240.00	
John Cummins	5.33	
Harold Peterson	20.00	
Sundry Labor	5.33	12,129.48
Total Yacht expense		23,322.06

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ITEM #22 (f)

Schedule of Office Expense

Auditing		1,860.00
Financial Service		
Barron's Weekly	10.00	
Brookmires	125.00	
Moody's	155.00	
Wall Street Journal	18.00	308.00
Flowers		414.49
Bonds—Surety		670.20
Telegraph & Telephone		1,896.51
Stationery		603.10
Postage		210.00
Legal Fees		329.39
Oil Experting		125.00
Messenger Service		174.59
Insurance		104.77
Stenographic Service		18.00
Repairs		45.15
Laundry Service		92.81
Storage		15.00
Trade Mark		60.00
Cigars		46.00
Fuel		79.00
Rent—Typewriter		29.50
'' Safety box		75.00
Recording Fees		2.70
Water		8.25
Sundry expenses		141.38
Total Office Expense		7,308.84

ITEM #22 (f)

Schedule of Kitchen Expense

Chef	2,415.00	
Extra help	2.50	
Laundry	140.93	
Supplies	168.59	
Food	374.58	
Flowers	136.40	
Total	3,238.00	
Less ¼ as personal expense	809.50	
Business entertainment		2,428.50

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RESPONDENT'S EXHIBIT "I".

Regular meeting of the Board of Directors of Cecil B. de Mille Productions, Inc., held at #4 Laughlin Park, Hollywood, California, on Monday, October 3rd, 1927.

Present:

Mr. Cecil B. de Mille
Mrs. Constance A. de Mille
Mrs. Ella King Adams
Miss Gladys Rosson
Mr. A. G. King

The Minutes of the last meeting were read and approved.

The President explained that the necessary action had been taken at the last meeting of the Board for increasing the capital stock of Cecil B. de Mille Productions, Inc. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED:

THAT WHEREAS the Corporation has accumulated a surplus of real and personal property of more than Eight Hundred Thousand ($800,000.00) in excess of Four Hundred Thousand Dollars ($400,000.00), the par value of the Four Thousand (4000) shares of the issued Capital Stock of the Corporation.

AND WHEREAS the Capital Stock of this Corporation was on the 8th day of October, 1927, increased from Five Hundred Thousand Dollars ($500,000.00), divided into Five Thousand (5000) shares of the par value of One Hundred Dollars ($100.00) each, to One Million Five Hundred Thousand Dollars ($1,500,000.00) divided into Fifteen Thousand (15,000) shares of the par value of One Hundred Dollars ($100.00) each, all of said stock being Common Stock, and there remains unissued in the Treasury of this Corporation, Capital Stock in the sum of One Million One Hundred Thousand Dollars ($1,100,000.00);

NOW, THEREFORE, be it resolved that a dividend, payable in stock in the sum of Eight Hundred Thousand Dollars ($800,000.00) be, and the same is hereby declared as of the 15th day of October, 1927, to be distributed among the present Stockholders of said Corporation, according to their respective holdings of issued stock. Said distribution to be made when the issuance of said stock as a dividend is ap-

proved by the Corporation Commissioner of the State of California.

IT IS FURTHER RESOLVED that upon approval of the said Corporation Commissioner, that the President and Secretary of this Corporation be, and they are hereby authorized and directed to issue the said stock in accordance with this Resolution. [546]

IT IS FURTHER RESOLVED that this Corporation file with Corporation Commissioner of the State of California, an Application for a permit to issue said stock and the President and Secretary of this Corporation are hereby authorized to execute and file with the Corporation Commissioner of the State of California, on behalf of this Corporation, the necessary Application, and do all other things necessary or required to secure a Permit for the issuance of such stock.

The President explained that it would be a good plan to place the stock on a regular 6% dividend basis, the dividends being payable quarterly, January 1st, April 1st, July 1st and October 1st.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED:

That a dividend of 1½% be declared and made payable as soon as Permit is received from the Corporation Commissioner for issuance of a stock dividend. Said dividend to be

payable on all stock outstanding after issuance of said stock dividend.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED:

That a dividend of 5% upon the present outstanding capital stock be made payable January 5, 1928 to stockholders of record as of December 31, 1927.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED:

That Cecil B. de Mille, President, and A. G. King, Secretary, are hereby empowered and authorized to endorse all stock and other documents for Cecil B. de Mille Productions, Inc.

The Secretary explained that the California Air Construction Co. secured a contract for the construction of a dam in Grass Valley and recommended that DeMille Productions provide credit of $50,000.00 to be used by the California Air Construction Co. for this job and other work which the Company expected to secure.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED:

That Cecil B. de Mille, President, and A. G. King, Secretary, be and they are hereby authorized to guarantee credit at the Bank of Italy

for the California Air Construction Co. up to, but not to exceed, the sum of Fifty Thousand Dollars ($50,000.00).

The President explained that during the month of August, an opportunity had been presented, through F. A. Reid of Phoenix, Ariz., to purchase approximately 3200 acres of agricultural land in the Salt River Valley, located [547] in Roosevelt Irrigation District No. 1, at an approximate price of Thirty-five Dollars ($35.00) per acre. That this land would come under irrigation during thhe spring of 1928 and that he recommended this as a good investment for the Company.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED:

That Cecil B. de Mille, President, and A. G. King, Secretary, be and they are hereby authorized to purchase a one-half interest in the approximate 3200 acres in Roosevelt Irrigation District No. 1, Maricopa County, Arizona, at an approximate price of Thirty-five Dollars ($35.00) per acre.

There being no further business, the meeting adjourned.

ELLA KING ADAMS,
GLADYS ROSSON
CECIL B. de MILLE
A. G. KING

[Endorsed]: U. S. Board of Tax Appeals. Dec. 15, 1933.

IF RETURN IS FOR CALENDAR YEAR 1920 FILE IT WITH THE COLLECTOR OF INTERNAL REVENUE FOR YOUR DISTRICT ON OR BEFORE MARCH 15, 1921

IF FOR A PERIOD OTHER THAN A CALENDAR YEAR THE RETURN SHOULD BE FILED ON OR BEFORE THE 15TH DAY OF THE THIRD MONTH FOLLOWING THE CLOSE OF SUCH PERIOD

Page 1 of Return.

Form 1040—UNITED STATES INTERNAL REVENUE SERVICE

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES OF MORE THAN $5,000, OR SEPARATE RETURNS OF HUSBAND AND WIFE IF COMBINED NET INCOME EXCEEDS $5,000

357

FOR CALENDAR YEAR 1920

Or for period begun ..., 19..., and ended ..., 19...

If the return is made for a period other than a calendar year, the dates of the beginning and ending of the period covered must be plainly stated in the space provided above.

DEC 16 1933

EXHIBIT J

FIRST PLAINLY NAME, STREET AND NUMBER, OR RURAL ROUTE, POST OFFICE AND STATE

Cecil B. de Mille,
1520 Vine St.,
Hollywood, Los Angeles, Cal.

(22)

DO NOT WRITE IN THIS SPACE

Examined by

Audited by

FIRST PAYMENT

$

Collector's Stamp

COLL. INT. REV. 6th CALIFORNIA MAR 15 1921 PAID

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return made in good faith, for the taxable period as stated, pursuant to the Revenue Act of 1918 and the Regulations issued under authority thereof.

Sworn to and subscribed before me this 14 day of March 1921.

(Signature of officer administering oath.)

NOTARY PUBLIC IN AND FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

If return is made by agent, the reason therefor must be stated on this line.

Cecil B. deMille
(Signature of individual or agent.)

1520 Vine St. Hollywood Cal.
(Address of individual or agent.)

1. Are you a citizen of the United States? Yes
2. If not, are you a resident of the United States?
3. If so, what address did you give on the return for 1919?
4. If neither, of what country are you a citizen or subject?
5. To what Collector's office was it sent? (Give district or city and State) Los Angeles Cal
6. Did you receive any adjustments during the taxable period from the Government contracts through the operations of a claims board, or otherwise?
7. Were you married and living with wife (or husband) on the last day of your taxable period? Yes
8. If not, were you on the last day of your taxable period supporting one or more persons living in your household who are closely related to you by blood, marriage, or adoption?
9. How many dependent persons under 18 (or if 18 or over, incapable of self-support because mentally or physically defective) were receiving their chief support from you on the last day of your taxable period? 2
10. Name and address of husband or wife
11. Was a separate return filed by your wife (or husband)? Yes If so, state (a) exemptions claimed $ 2400 (b) Name and address of collector with whom filed
12. Write "R" if you kept no books, or books on a cash basis; or "A" if you kept books on an accrual basis R
13. Did you pay during the calendar year 1920 to any individual rent, wages, salaries, or other fixed or determinable income amounting to $1,000 or over? Yes If so, state name and address
14. Enter below all nontaxable income received by you during the taxable period from the following sources:

Class of Securities.	Principal.	Interest.	Class of Securities.	Principal.	Interest.	Source of Conversion.	Amount.
First Liberty Loan 3½% Bonds converted	$	$	Obligations of States and Territories, political subdivisions thereof, and the District of Columbia	$ 8,000.00	$ 120.00		
Other obligations of the U.S. issued before Sept. 1, 1917, and obligations of U. S. possessions							
Victory Liberty Loan 3¾% Notes				3,000.00	135.00		

15. Enter in the table below income (whether received or not) from partnerships, personal service corporations, and fiduciaries.

1. Name and Address of Partnership, Personal Service Corporation, or Title of Estate or Trust, with Name and Address of Fiduciary.	2. Period (Enter 20 or Date of Which Fiscal Year Ended).	3. Interest on Tax-Free (Covenant Bonds.	4. Dividends.	5. Interest on Liberty Bonds, and Victory Notes, Second Conversion Bonds.	6. Other Income.
Cecil B de Mille Productions	12/31/20	$	$	$	$ 23112.10

(a) Totals from page 2 of Instructions, Schedule (f)

(b) Enter in the table below interest on Liberty Bonds and other obligations of the United States and War Finance Corporation Bonds, received by you during the taxable period, including interest received through partnerships, personal service corporations, and fiduciaries. (See page 2 of instructions, Schedule 1.)

Obligations.	First Liberty Loan (Converted) 4% Bonds of 1932-47.	Second Liberty Loan 4% Bonds of 1927-42.	First Liberty Loan (Converted) 4½% Bonds of 1932-47.	Second Liberty Loan (Converted) 4½% Bonds of 1927-42.	Third Liberty Loan 4½% Bonds of 1928.	First Liberty Loan Second Converted 4½% Bonds of 1932-47.	Fourth Liberty Loan 4½% Bonds of 1933-38.	...% Other Obligations Issued Since Sept. 1, 1917.	Victory Liberty Loan 4¾% Notes of 1922-23.	War Finance Corporation 8% Bonds of 1920.
Interest Dates.	June 15. December 15.	May 15. November 15.	June 15. December 15.	May 15. November 15.	March 15. September 15.	June 15. December 15.	April 15. October 15.		June 15. December 15.	April 1. October 1.
(a) Amount of interest.	$ 42[illegible]	$ 5.12.00	$	$	$ 221.00	$	$ 261.21	$	$ 302.29	$
(b) Average principal	1500.00	83.00.00			5200.00		6300.00		7650.00	
Exemptions.										
(c) $5,000.									xxxxxxx	xxxxxxx
(d) 20,000.									xxxxxxx	xxxxxxx
(e) 30,000.				No additional				xxxxxxx	xxxxxxx	xxxxxxx
(f) 45,000						xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx
(g) 30,000.	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx					
(h) 30,000.	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx
(i) 5,000.	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx	xxxxxxx
(j) Principal in excess of exemptions.										
(k) Taxable interest.										

Compared by ... Proved ...

(l) Total taxable interest on all obligations as computed above on line (k) (enter as Item 19 below, and as Schedule I, page 2) $

State the amount of the Victory Liberty Loan 3¾% and 4¼% Notes originally subscribed for and still owned at the date of filing this return $

State the amount of the Fourth Liberty Loan 4¼% Bonds originally subscribed for and still owned at the date of filing this return $

COMPUTATION OF TAX.

17. Net income on which tax is to be computed (from Schedule N)		$ 16443	57		
18. Less: Dividends (from Schedule H)	$ 5503	61			
19. Taxable interest on Liberty Bonds, etc. (from Item 16 (l) above)					
20. Personal exemption					
21. Total of Items 18, 19, and 20		8503	61		
22. Balance subject to normal tax (Item 17 minus Item 21)		$ 7939	96		
23. Amount subject to normal tax at 4% (not over $4,000)		4000	00		
24. Balance subject to normal tax at 8% (Item 23 minus Item 23)		$ 3939	96		
25. Normal tax at 4% on amount of Item 23				$ 160	00
26. Normal tax at 8% on amount of Item 24				241	19
27. Surtax on Item 17 (see surtax table, page 1 of instructions)				167	74
28. Total Tax				$ 618	93
29. Less: Tax paid at source				$	
30. Income and profits taxes paid during taxable period to foreign countries or possessions of the United States (attach Form 1116)				113	41
31. Balance of tax due (Item 28 minus Items 29 and 30)				618	93
32. Amount of tax paid on submission of return				$ 154	23

PREPARATION OF RETURN.

Did you employ anyone especially to prepare or advise in the preparation of this return? (Answer "Yes" or "No.") ... If so, give name and address and state the extent to which you received such assistance or advice

AMENDED RETURNS.

An amended return must be plainly marked "Amended" across the face of the return.

CHECKS AND DRAFTS.

Checks and drafts will be accepted only if payable at par at your Collector's office.

DETACH RETURN HERE AND SEND IT TO COLLECTOR OF INTERNAL REVENUE FOR YOUR DISTRICT.

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Page 2 of Return

INDIVIDUAL RETURN OF TAXABLE INCOME

SCHEDULE A.—INCOME FROM BUSINESS OR PROFESSION.

[Not filled out]

SCHEDULE B.—INCOME FROM SALARIES, WAGES, COMMISSIONS, BONUSES, DIRECTOR'S FEES, AND PENSIONS.

1. By Whom Received. (Give name.)	2. Occupation.	3. Name and Address of Employer.	4. Amount Received.	5. Expenses (Explain Below).	
Myself	Director	Famous Players Lasky Corp.	$33,000.00	$16,451.09	
	"	Cecil B. deMille Productions	28,500.00	.....	
Net Income from Salaries, etc. (total of column 4 minus total of column 5)			$61,500.00	$16,451.09	$45,048.91

SCHEDULE C.—INCOME FROM PARTNERSHIPS, PERSONAL SERVICE CORPORATIONS, AND FIDUCIARIES (From Item 15 (a column 6, page 1) $23,117.10

SCHEDULE D.—PROFIT FROM SALE OF LAND, BUILDINGS, STOCKS, BONDS AND OTHER PROPERTY, AND FROM LIQUIDATING DIVIDENDS.

1. Kind of Property.	2. Name and Address of Purchaser or Broker.	3. Sale Price or Liquidating Dividends.	4. Date Acquired.	5. Cost, or if Acquired Prior to March 1, 1913, the Fair Market Value on That Date.	6. Cost of Subsequent Improvements, if Any.	7. Depreciation.	
Real Estate	W. J. Dodd, 1723 N. Wilton Place	$ 10,000.00	8/28/19	$ 18,000.00	$2,302.71	$406.05	
"	A. B. Hastings	2,420.00	2/10/20	2,500.00	.....	.....	
Stocks & Bonds		356,215.34	.....	395,464.15	.....	.....	
Net Profit from Sales (total of columns 3 and 7 minus total of columns 5 and 6)		$368,635.34	.....	$415,964.15	$2,302.71	$406.05	$49,225.47

SCHEDULE E.—INCOME FROM RENTS AND ROYALTIES.

1. Kind of Property.	2. Name and Address of Tenant, Lessee, etc.	3. Amount Received.	4. Repairs, Wear and Tear, Obsolescence, Depletion and Property Losses.	5. Interest.	6. Taxes.	7. Other Expenses (Explain Below).	
Dwelling	S. Field, 1723 N. Wilton Place	$1,900.00	$ 779.91	$		$358.87	
"	H. C. Higgin, 1542 Morningside Court	495.00	260.00	88.93		187.61	
Net Income from Rents and Royalties (total of column 3 minus total of columns 4, 5, 6, and 7)		$2,500.66	$1,039.91	$88.93		$546.48	$ 825.34

SCHEDULE F.—INTEREST ON CORPORATION BONDS CONTAINING TAX-FREE COVENANT, ON WHICH A TAX OF 2% WAS PAID AT SOURCE.

[Not filled out]

SCHEDULE G.—OTHER INCOME (not including dividends, or interest on obligations of the United States).

	Amount Received.	
1. Interest on bonds, mortgages, and other obligations of domestic and resident corporations except as reported in Schedule F	$	
2. Interest on bonds of foreign countries and corporations, and dividends on stock of foreign corporations which are not taxable by the United States on their net incomes		
3. Interest on bank deposits, mortgages, etc.	5,177.66	
4. Amount paid for you at source on tax-free covenant bonds		
5.		
Total		$ 5,177.66

SCHEDULE H.—DIVIDENDS.

Received (a) directly, $8,803.61; (b) through partnerships, personal service corporations, and fiduciaries (Item 15(a), column 4), $ Total $ 8,803.61

SCHEDULE I.—TAXABLE INTEREST ON LIBERTY BONDS, OTHER OBLIGATIONS OF THE UNITED STATES, AND WAR FINANCE CORPORATION BONDS (from Item 16(1), page 1) $ 302.29

SCHEDULE J.—TOTAL NET INCOME FROM ABOVE SOURCES (Total net income less total deficits shown in above Schedules) $33,747.15

SCHEDULE K.—DEDUCTIONS (except those included as above and contributions).

1. Interest paid	$12,609.57	
2. Taxes paid	4,498.01	
3. Losses by fire, storm, etc. (explain in table below)		
4. Bad debts (explain in space at foot of page)		
5. Amounts paid to beneficiaries, etc.		
Total		$17,107.58

SCHEDULE L.—NET INCOME (without deducting contributions) (J minus K) $16,639.57

SCHEDULE M.—CONTRIBUTIONS (List below names and amounts paid to each corporation) ..... $ 196.00

SCHEDULE N.—NET INCOME UPON WHICH TAX IS TO BE COMPUTED (L minus M) (Enter as Item 17, page 1) $16,443.57

ENTER IN THIS TABLE DETAILS CONCERNING REPAIRS, WEAR AND TEAR, PROPERTY LOSSES, ETC., CLAIMED AS DEDUCTIONS IN SCHEDULES A, E, AND K ABOVE.

[Not filled out]

Bought Date	Bought No. Shares	Name	Sold Date	Sold No. Shares	Cost	Received	Loss
7-10-19	50	Am. Steel Foundries	3- 6-20	50	$ 4,934.72	$ 4,615.75	$ 318.97
8- 4-19	20	Wilson Co.			2,016.50		
9-28-16	15	" "	7- 2-20	35	1,500.00	3,071.42	445.08
6-11-19	50	Cuba Cane	3-26-20	50	4,237.50	4,090.75	146.75
7- 8-19	50	Pac. Gas & Elec. Corp.	6-10-20	50	4,494.17	4,050.00	444.17
3- 3-19	30	Holt Mfg. Co.	2- 5-20	30	3,082.50	2,977.50	105.00
7-24-17	50	Sp. Cal. Edison	2- 6-20	50	4,765.00	4,330.25	434.75
7- 7-16	20	A. T. & S. F. Common	7- 6-20	20	2,121.29	1,591.70	529.59
—11-19	50	" " " Pfrd	2-19-20	50	4,393.75	3,884.25	509.50
—27-16	15	Daniels & Fisher	2-17-20	15	1,500.00	1,490.00	10.00
6-19-19	40	Globe Grain & Milling	2-10-20	40	4,016.33	4,047.96	31.63
12- 3-19	500	Goldwyn Pictures Corp.	1-26-20	500	14,032.67	14,962.95	930.28

Bought Date	Bought No. Shares	Name	Sold Date	Sold No. Shares	Cost	Received	Loss
	Bonds			Bonds			
9-14-19	2	China Mail S. S. Corp.	7-23-20	2	2,040.00	2,028.56	12.14
"	3	Sutter Basin Bonds	5-26-20	3	3,060.08	3,000.00	60.08
7-30-19	6	Montana Power Co.	7-12-20	6	2,802.29	2,344.58	457.71
6- 9-19	3	Nevada Calif. Elec.	6-10-20	3	2,931.00	2,310.00	621.00
8-30-18	1	Montana Power Co.	6-17-20	1	500.00	399.72	100.28
5- 6-19	1	City of Rio Janeiro	6-17-20	1	977.70	897.50	80.20
— 9-19	3	Pac. Gas & Elec. Co.	9- 1-20	3	2,685.00	2,249.17	435.83
6-18-17	2	San Joaquin Light & Pow.	9- 1-20	2	1,876.00	1,720.00	156.00
12- 1-16	6	So. Pac. R. R.	7- 8-20	6	3,210.00	2,876.67	333.33
7- 2-19	1	A. E. Staley Mfg. Co.	6- 1-20	1	1,005.83	1,000.00	5.83
7- 2-19	2	Pac. Light & Power	6- 2-20	2	1,893.61	1,647.22	246.39
7- 2-19	2	So. Cal. Edison Co.	8- 3-20	2	2,089.90	1,917.00	172.90
6-10-19	3	L. A. Pac. R. R. of Cal.	6-10-20	3	2,216.33	1,871.67	344.58
					$78,382.17	$73,374.62	$ 5,007.55

[550]

E. F. Hutton Co. Brokers, Los Angeles, Cal.
Famous Players Lasky Corp.

Bought		Sold				
Date	No. Shares	Date	No. Shares	Cost	Received	Loss
11-20-19	200			$ 18,245.00		
11-26-19	100			8,922.50		
11-28-19	100			8,722.50		
12- 3-19	100			9,022.50		
12-12-19	100			8,322.50		
		1-5-20	100		$ 8,873.50	
		1-6-20	100		9,298.50	
		1-6-20	200		18,747.00	
1-15-20	200			17,445.00		
"	100			8,522.50		
"	100			8,622.50		
"	100			8,922.50		
1-20-20	100			8,272.50		
"	100			8,322.50		
"	100			8,222.50		
"	100			8,422.50		
1-21-20	100			7,922.50		
"	100			7,822.50		
2- 6-20		2-6-20	1300		95,343.00	

Bought		Sold				
Date	No. Shares	Date	No. Shares	Cost	Received	Loss
Union Pacific						
11-20-19	300			38,152.50		
11-22-19	100			12,730.00		
11-26-19	100			12,605.00		
11-29-19	400			49,890.00		
		1-19-20	400		48,694.00	
		1-29-20	500		60,867.50	
Interest and premium charges				1,329.92		
6%	4%			$260,439.92	$241,823.50	
				Total loss on transaction		$ 18,616.42
200 shares of original issue of Famous Players Lasky Common						
		Cost		$ 16,000.00		
Sold 100	2-17-20	$7,173.50				
" 100	2-18-20	7,273.50		14,447.00		
						1,553.00

Bought			Sold				
Date	No. Shares		Date	No. Shares	Cost	Received	Loss
Famous Players Lasky Corp. 277 shares Prefd. stock cost					26,315.00		
Sold	2-17-20	77 shares			$ 6,626.55		
"	3- 4-20	100 "			8,720.90		
"	11-22-20	100 "			7,171.40		
					$22,518.85		
							3,796.15
Adolph Zukor Pool in 8% preferred stock of Famous Players Lasky Corp.							
Paid in					$14,051.06		
Drew out					4,327.37		
							9,723.69
							$ 33,689.26

1723 N. Wilton Place.

Repairs	35.22			
Painting	203.00			
—er	22.07			
Electricity	7.98			
Gas	1.79			
Phone	6.25			
Care of Lawn	82.50			
Total Expense		Col. 7	358.81	
Depreciation on Property Cost $20,302.71 2%	406.05			
Depreciation on Furnishings Cost 7477.73 5%	373.86			
Total Depreciation		Col. 4	779.91	
1542 Morningside Court				
Depreciation on Property Cost 6500.00 4%			260.00	260.00
Expenses				
Insurance			106.00	
Water			22.68	
Repairs			58.93	187.61

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BUSINESS EXPENSE.

Trip to New York on new Contract	266.95
Salary of Chauffeur—Business car	1,735.00
Repairs on Auto, tires and supplies	138.41
Insurance on Auto	197.70
Depreciation on Auto—Cost $5900.00, bot. 1917—Dep. 20%	1,180.00
Advertising	135.00
Salary of Mrs. Ella King Adams, Reader	3,300.00
" " Julia Faye "	2,000.00
" " Ruth Wightman "	455.00
Price Waterhouse Co.—Audit	725.00
E. D. Moore—Legal Services	875.79
Telegrams	175.62
Telephone—Long distance calls	4.05
Insurance on Office Furniture	173.00
Depreciation on " " 10%	3,899.80
Office Supplies—Books	36.20
Moody's Investors Service	150.00
Babson's Statistical Reports	50.00
English Translation of Dramas of various Countries	60.00
Trade Review 1 yr. Subscription	2.00
Miscellaneous expense	891.57
	16,451.09

[553]

Form 1040
U. S. Internal Revenue

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES OF MORE THAN $5,000, OR SEPARATE RETURNS OF HUSBAND AND WIFE IF COMBINED NET INCOME EXCEEDS $5,000

IF RETURN IS FOR CALENDAR YEAR 1921 FILE IT WITH THE COLLECTOR OF INTERNAL REVENUE FOR YOUR DISTRICT ON OR BEFORE MARCH 15, 1922

IF FOR A PERIOD OTHER THAN A CALENDAR YEAR THE RETURN SHOULD BE FILED ON OR BEFORE THE 15TH DAY OF THE THIRD MONTH FOLLOWING THE CLOSE OF SUCH PERIOD

FILED

1-428

36 Pat on the 3/15/22

FOR CALENDAR YEAR 1921

Or for period begun ..... , 1920, and ended ..... , 1921

Do not write in this space
FIRST PAYMENT $ .....

Collector's Stamp
2132.5
RECEIVED
APR 2 1922
U.S. INT. REV. 6th CAL.

CASH CHECK M.O. CERT. OF DEP.
Examined by

PRINT NAME AND ADDRESS PLAINLY BELOW

CECIL B. DE MILLE (Name.)

1520 NORTH VINE STREET (Street and number or rural route.)

LOS ANGELES, CALIFORNIA. (County.) (Post office.)

REVENUE AGENT'S RECEIVED JUN 11 1929 CALIFORNIA

OCCUPATION, PROFESSION, OR KIND OF BUSINESS Factures Producer

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return made in good faith, for the taxable period as stated, pursuant to the Revenue Act of 1921 and the Regulations issued under authority thereof.

(If return is made by agent, the return thereof must be stated on this line.)

Cecil B. DeMille
(Signature of individual or agent.)

Sworn to and subscribed before me this 29th day of April, 1922.

NOTARY PUBLIC, IN AND FOR THE STATE OF CALIFORNIA

(Signature of officer administering oath.) (Title.)

AUDITED

(Amount of individual or agent's) $ 308.48

1. Are you a citizen or resident of the United States? Yes

2. If you filed a return for 1920, to what Collector's office was it sent? Los Angeles, California.

3. Is this a joint return of husband and wife? No

4. If not, is a separate return being filed by your husband or wife? Yes

If so, state: (a) Name and address entered at head of that return Constance L. de Mille same address (b) Exemption claimed, $ 3600.

5. Were you married and living with husband or wife on the last day of your taxable period? Yes

6. If not, were you on the last day of your taxable period supporting one or more persons living in your household who are closely related to you by blood, marriage, or adoption?

7. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable period?

FORM 1040 CONTROL
NUMBER
BASIS OF A.)
AUDITED BY
DATE
LIST
PAGE

FORM 1040 (21) A

Line No.	Explain in Schedule (page 3)	INCOME.		
13	G	1. Salaries, Wages, Commissions, etc. (State name and address of person from whom received.)	Amount received.	Expenses paid.
		Cecil B. de Mille Productions	$ 38.75	$ 14,151.46
		1520 North Vine Street, Los Angeles		
		California.		
		2. Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds		5,034.03
14		3. Income from Partnerships, Fiduciaries, etc. (State name and address of partnerships, etc.)		
		Carried to the first page		
6	A	4. Rents and Royalties		495.00
16	B	5. Profit (or loss) from Business or Profession (not including income from partnerships)		
17	C	6. Profit (or loss) from Sale of Real Estate		
18	D	7. Profit (or loss) from Sale of Stocks, Bonds, etc		Loss 5,646 36
		8. Dividends on Stock of Domestic Corporations Lasky 4600. (1/2 of stock) Misc 2034.		6,634.10
19	E	9. Taxable Interest on Liberty Bonds, etc		
20		10. Other Income (including dividends received on stock of foreign corporations). (State nature of income.)		
		(a) Non addtl tax		
		(b)		
		(c)		
		11. TOTAL INCOME IN ITEMS 1 TO 10 (less losses shown therein, if any)		$ 154,525 13
		DEDUCTIONS.		
21		12. Interest Paid (not including interest deducted above) Lasky		$ 10,231. 76
22		13. Taxes Paid (not including taxes deducted above) Fifty 03		4,262. 06
23	F	14. Losses by Fire, Storm, etc.		1,665. 00
24	G	15. Contributions		80,260. 56
25	G	16. Bad Debts (not including bad debts deducted above)		
26	G	17. Other Deductions Authorized by Law		
		18. TOTAL OF ITEMS 12 TO 17		106,419. 38 106,419 38
		19. NET INCOME (Item 11 minus Item 18)		$ 48,105 75

COMPUTATION OF TAX.

20. Net Income (Item 19 above)		$ 48,105 75	28. Normal tax (4% of Item 26)		$ 160 00
21. Less: Dividends (Item 8 above)	$ 6634.		29. Normal tax (8% of Item 27)		2,997 74
22. Taxable Interest on Liberty Bonds, etc. (Item 9 above)			30. Surtax on Item 20 (see Instruction 6)		5,074 32
23. Personal Exemption and Credit for Dependents			31. TOTAL TAX		8,232 06
24. TOTAL OF ITEMS 21, 22 AND 23		6,634 00	32. Less: Tax paid at source on income and profits taxes paid to foreign countries or possessions of the U. S. (attach Form 1116)	$	
25. Balance (Item 20 minus Item 24)		$ 41,471 75			
26. Amount taxable at 4% (not over $4,000)		4,000 00			
27. Balance taxable at 8% (Item 25 minus Item 26)		$ 37,471 75	34. Balance due (Item 31 minus Items 32 and 33)		$ 8,232 06
Checks and drafts will be accepted only if payable at par.			35. Amount of tax paid when filing return		$ 2,132 50

($2132.50 paid on filing tentative return.

SCHEDULE A.—EXPLANATION OF ITEM 4
(Rents and Royalties.) See Instruction 15.

[Not filled out.]

SCHEDULE B.—EXPLANATION OF ITEM 5.
(Business or Profession.) See Instruction 16.

[Not filled out.]

SCHEDULE C.—EXPLANATION OF ITEM 6.
(Sale of Real Estate.) See Instruction 17.

[Not filled out.]

SCHEDULE D.—EXPLANATION OF ITEM 7.
(Sale of Stocks, Bonds, etc.) See Instruction 18.

[Not filled out.]

SCHEDULE E.—EXPLANATION OF ITEM 9.
(Taxable Interest on Liberty Bonds, etc.) See Instruction 19.

[Not filled out.]

SCHEDULE F.—EXPLANATION OF ITEM 14.
(Losses by Fire, Storm, etc.) See Instruction 23.

[Not filled out.]

SCHEDULE G.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 15, 16, AND 17.

[Not filled out.]

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EXPLANATION OF DEDUCTIONS CLAIMED IN SCHEDULE D. ITEM 7.

		Paid	Rec'd	Loss
LIBERTY BONDS	First Issue, bought 1917	$ 1,100.00	$ 949.75	$ 150.25
" "	Second " " "	5,100.00	4,437.25	662.75
" "	Third " " 1918-19	4,852.50	4,680.50	272.00
" "	Fourth " " 1919	6,100.00	5,325.00	775.00
" "	Fifth " " "	2,500.00	2,418.75	81.25
1100 Shares Loewe Inc., November 1921		8,500.00	7,106.78	1,393.22
1—Bond Unitah Co. Idaho Dec. 1919		1,004.00	900.00	104.00
3— " State of California Univ. Bldg. 9/6/19		3,022.50	2,601.25	421.25
4— " Los Angeles Elec. 1919		3,952.40	3,531.25	421.15
3— " Franklin Co. Idaho 1919		3,041.03	2,727.80	313.23
2— " Fremont Cou. " "		2,104.05	1,885.60	218.45
1— " City of Burbank "		1,092.82	925.00	167.82
2— " City of New York 1920		1,693.71	1,460.00	233.71
1— " City of Santa Barbara 1919		1,033.53	935.00	98.53
5— " Southern R. R. Co. "		5,065.00	4,731.25	333.75
		$50,261.54	$44,615.18	$5,646.36

EXPLANATION OF DEDUCTIONS CLAIMS.

BUSINESS EXPENSE	
Salary of Chauffeur	$ 1,920.00
Chauffeur Uniforms and sundry expense	348.90
Insurance on auto and contents of office	661.78
Repairs, supplies and tires for auto	407.88
Office supplies	3.68
Legal services	1,678.90
Babson's Statistical Reports	100.00
Subscription Magazines	5.50
Travelling and hotel expenses	1,044.70
Telegrams	321.65
Long Distance Telephone Calls	9.60
Advertising—Publicity	250.00
Depreciation on business car 25%	2,764.57
Depreciation on office furniture and Furn 10% $36,386.19	3,638.62
Miscellaneous charges	316.40
One-half salary of Jap office boy	780.00
	$14,151.46

EXPLANATION OF ITEMS CLAIMED IN ITEM 15.

CONTRIBUTIONS.

F. L. RAWSON—School of Religious Metaphysical Healing	$ 1,450.00
Actors Relief Fund	160.00
Relief Fund women and children of Ireland	40.00
Trustees Asylum Home—Masonic	5.00
Chairman Shrine Xmas Fund	5.00
L. A. Athletic Club Xmas Fund	5.00
	$ 1,665.00

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Form 1040
U. S. Internal Revenue
(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES OF MORE THAN $5,000
OR SEPARATE RETURNS OF HUSBAND AND WIFE IF COMBINED NET INCOME EXCEEDS $5,000

For Calendar Year 1922

Or fiscal period beginning ..., 1921, and ended 316016, 1922

File With Collector Not Later Than the 15th Day of the Third Month Following the Close of the Taxable Period

(PRINT NAME AND ADDRESS PLAINLY BELOW)

CECIL B. deMILLE
(Name)

1520 NORTH VINE STREET
(Street and number, or rural route)

LOS ANGELES, CALIFORNIA
(Post office) (County) (State)

Do Not Write in These Spaces

SERIAL NUMBER

FILE CODE

FIRST PAYMENT

Received by
(Cashier's Stamp)

RECEIVED
NOV 12 1923
COLLECTOR OF INT. REV.
6th DIST. OF CAL.

Cash Check M. O. Cert. of Ind.

OCCUPATION, PROFESSION, OR KIND OF BUSINESS

1. Are you a citizen or resident of the United States? yes
2. If you filed a return for 1921, to what Collector's office was it sent? Los Angeles, Cal
3. Is this a joint return of husband and wife? no
4. If not, is a separate return being filed by your husband or wife? yes
   If so, state: (a) Name and address entered at head of that return Constance A. deMille, 4 Laughlin Pk Los Angeles
   (b) Exemption claimed, $ 4,000
5. Were you married and living with husband or wife on the last day of your taxable period? yes
6. If not, were you on the last day of your taxable period supporting one or more persons living in your household who are closely related to you by blood, marriage, or adoption? yes
7. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable period? five

Item and Instruction No.	INCOME	Amount received.	Expenses paid. (Explain in Schedule G)	
1.	Salaries, Wages, Commissions, etc. (State name and address of person from whom received.)			
	Cecil B. deMille Productions,	$ 121,000	$ 114,162.20	$ 2995
				17,808.
2.	Income from Business or Profession. (From Schedule A)			
3.	Interest on Bank Deposits, Notes, Mortgages, and Corporation Bonds			
4.	Income from Partnerships, Fiduciaries, etc. (State name and address of partnership, etc.)			
	Cecil B. deMille Productions			30,328.90
5.	Rents and Royalties (From Schedule B)			940
6.	Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C)			1,134.95 (loss)
7.	Dividends on Stock of Domestic Corporations			4,959.92
8.	Taxable Interest on Liberty Bonds, etc. (From Schedule E)			
9.	Other Income (including dividends received on stock of foreign corporations). (State nature of income.)			
	(a) Profit on sale of horse			251.50
	(b)			
	(c)			
10.	Total Income in Items 1 to 9			54,682.

	DEDUCTIONS	
11.	Losses by Fire, Storm, etc. (Explain in Schedule F)	
12.	Interest Paid	6,310. 13
13.	Taxes Paid	2,756. 25
14.	Bad Debts. (Explain in Schedule G)	710. 00
15.	Contributions. (Explain in Schedule G)	1,966.
16.	Other Deductions Authorized by Law. (Explain in Schedule G)	
17.	Total Deductions in Items 11 to 16	11,742. 25
18.	Net Income (Item 10 minus Item 17)	$ 42,940. 11

AUG 8 1928

COMPUTATION OF TAX

19.	Net Income (Item 18 above)		$ 42,940	27. Normal Tax (4% of Item 25)	$ 160
20.	Less: Dividends (Item 7 above)	$ 4,959.92		28. Normal Tax (8% of Item 26)	2,398. 48
21.	Taxable Interest on Liberty Bonds, etc. (Item 8 above)			29. Surtax on Item 19 (see Instruction 29)	3,498. 00
22.	Personal Exemption and Credit for Dependents	4,000 00		30. Tax on Capital Net Gain (12½% of column 9, Schedule D) (see Instruction 6)	
23.	Total of Items 20, 21, and 22		8,959. 92	31. Total Tax	6,056. 48
24.	Balance (Item 19 minus Item 23)		$ 33,981	32. Less: Income Tax paid at source	7 57
25.	Amount taxable at 4% (not over $4,000)		4,000	33. Income and profits taxes paid to foreign countries or possessions of the U. S. (attach Form 1116)	60 64. 00
26.	Balance taxable at 8% (Item 24 minus Item 25)		$ 29,981	34. Balance of Tax (Item 31 minus Items 32 and 33)	$

In computing tax for a fiscal year, see Article 1624 of Regulations 62

Checks and drafts will be accepted only if payable at par

2—13810

SCHEDULE A.—INCOME FROM BUSINESS OR PROFESSION. (See Instruction 2.)

[Not filled out.]

SCHEDULE B.—INCOME FROM RENTS AND ROYALTIES. (See Instruction 5.)

[Not filled out.]

SCHEDULE C.—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 6.)

[Not filled out.]

SCHEDULE D.—CAPITAL NET GAIN FROM SALE OF ASSETS HELD FOR MORE THAN TWO YEARS. (Optional, see Instruction 6.)

[Not filled out.]

SCHEDULE E.—TAXABLE INTEREST ON LIBERTY BONDS, ETC. (See Instruction 8.)

[Not filled out.]

SCHEDULE F.—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 11.)

[Not filled out.]

SCHEDULE G.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 14, 15, AND 16.

[Not filled out.]

AFFIDAVIT.

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return made in good faith, for the taxable period

as stated, pursuant to the Revenue Act of 1921 and the Regulations issued under authority thereof.

CECIL B. deMILLE.
(Signature of individual or agent.)

Sworn to and subscribed before me this 14 day of April, 1923.

[Seal] ROLAND W. MONNELL.

[559]

DEDUCTIONS CLAIMED IN ITEM 1.

Depreciation on automobiles	$26,774.52
Automobile expense (cars used solely in connection with business of taxpayer)	5,981.20
Insurance on contents of office	611.57
Attorneys fees and legal expenses	2,375.00
Trade papers, magazines, etc.	852.23
Advertising and publicity	7,702.54
(Included in the above item of advertising and publicity is the sum of $4,735.14 paid for the construction of a motor speed boat to be entered in the boat races at San Pedro, California, for advertising purposes under the name of Cecil B. deMille, which boat was destroyed by fire and became a total loss.)	
Operation of a fruit and poultry ranch	4,865.14
Loss suffered by taxpayer on stock of Aviation Securities Co. (said stock is valueless)	50,000.00
Taxpayer guaranteed stock of Aviation Securities Co. in the sum of ($5,000 to W. J. Dodd and $10,000 to John H. Fisher)	15,000.00

(The Aviation Securities Co. is the owner of all of the capital stock of the Mercury Aviation Company and the Mercury Export Corporation. All of the assets of these two corporations are covered to secure the payment of certain notes and indebtedness of the corporations, for more than the value of the assets, the notes amounting to approximately $30,000.00.)

Mr. deMille is a guarantor of these notes also and there will be a deficiency of approximately $25,000 when the collateral is disposed of as it is of questionable value.

$114,162.20

DEDUCTIONS CLAIMED IN ITEM 14 AND 15.

Childrens Hospital donation $500, Red Cross, Orphans Home and miscellaneous charities amounting to $1,966.

Loans made to persons from whom said loans are uncollectible, $710.00.

[560]

EXPLANATION OF ITEM 6. SCHEDULE C.

Items of loss on sale of real estate, stocks, bonds, etc., as follows:

Stocks:	Cost	Sold		
20 shares Atlantic Gulf & W. I. Co.	$1,235.00	$ 480.90	$ 854.10	(Loss)
20 shares Kennicott copper	975.00	634.20	340.80	(Loss)
			$1,094.90	
100 shares Loewe's	1,460.00	1,772.95	312.95	(Gain)
10 Liberty Bonds $500.00 ea., 5th issue	5,000.00	5,008.00	8.00	
			$ 320.95	
		Loss	$ 773.95	
Loss on sale of real estate			361.00	
			TOTAL	$1,134.95
Loss on sale of two automobiles used in business				$1,120.00

EXPLANATION OF ITEM 5. SCH. B.

Rents and royalties	
Obtained from rental of two houses in the City of Los Angeles, California	$ 940.00

[561]

Form 1040
U. S. Internal Revenue
(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES OF MORE THAN $5,000
OR NET INCOMES, REGARDLESS OF AMOUNT, IF DERIVED FROM A PROFESSION OR BUSINESS, INCLUDING FARMING

For Calendar Year 1923 , 311713

Or for period begun ..... , 1922, and ended ..... , 1923

Do Not Write in These Spaces
SERIAL NUMBER
FILE CODE
FIRST EXAMINATION
Examined by

File This Return Not Later Than the 15th Day of the Third Month Following the Close of the Taxable Period
(PRINT NAME AND ADDRESS PLAINLY BELOW)

CECIL B. DE MILLE
(Name)

1520 Vine Street
(Street and number, or rural route)

Los Angeles (Post office) — (County) — California (State)

RECEIVED
COLLECTOR OF INTERNAL REVENUE
6th District of California
MAR 15 1924
LOS ANGELES OFFICE
FIELD DIVISION
Cash Check M. O. Cert. of Int.

OCCUPATION, PROFESSION, OR KIND OF BUSINESS: Motion Picture Director

1. Are you a citizen or resident of the United States? Yes
2. If you filed a return for 1922, to what Collector's office was it sent? Los Angeles, Calif.
3. Is this a joint return of husband and wife? No
4. If not, is a separate return being filed by your husband or wife? Yes. If so, state: (a) Name and address entered at head of that return Constance A. De Mille, #4 Loughlin Park, Los Angeles (b) Exemption claimed, $ None
5. Were you married and living with husband or wife on the last day of your taxable period? Yes
6. If not, were you on the last day of your taxable period supporting one or more persons living in your household who are closely related to you by blood, marriage, or adoption? Yes
7. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable period? Four

INCOME

	Amount received.	Expenses paid. (Explain in Schedule G.)	
Trade, etc. (State name and address of person from whom received.)	$91,000.00	$30,088.95	$ 60,911 05
Profession. (From Schedule A)			
Notes, Mortgages, and Corporation Bonds			2245 11
Fiduciaries, etc. (State name and address of partnership.)			
5. Rents and Royalties. (From Schedule B)			1967 81
6. Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C)			12,324 23
7. Dividends on Stock of Domestic Corporations			4,733 00
8. Taxable Interest on Liberty Bonds, etc. (From Schedule E)			
9. Other Income (including dividends received on stock of foreign corporations). (State nature of income.)			
(a)			
(b)			
(c) Real Estate			
10. Total Income in Items 1 to 9			$ 82,161

SEC. 2740 REV. ACT. 1926
ASSESSMENT
Tax . . . . $ 6140.00
Penalty - - -
Interest - - 1307.78
Total $ 7447.78

LIST
Page 2 8 4 3 Line

DEDUCTIONS

11. Interest Paid	$ 4,726	41
12. Taxes Paid	3,175	61
13. Losses by Fire, Storm, etc. (Explain in Schedule F) Car	436	82
14. Bad Debts. (Explain in Schedule G) Eidg 53	56,132	90
15. Contributions. (Explain in Schedule G)	1,183	00
16. Other Deductions Authorized by Law. (Explain in Schedule G)		
17. Total Deductions in Items 11 to 16	$ 65,656	74
18. Net Income (Item 10 minus Item 17)	$ 16,524	46

COMPUTATION OF TAX

19. Net Income (Item 18 above)		$ 16524	46	27. Normal Tax (4% of Item 25)	$ 160 00
20. Less: Dividends (Item 7 above)	$ 4733 00			28. Normal Tax (8% of Item 26)	335 83
21. Taxable Interest on Liberty Bonds, etc. (Item 8 above)				29. Surtax on Item 19 (see Instruction 29)	246 22
22. Personal Exemption and Credit for Dependents (see Instruction 23)	3600 00			30. Tax on Capital Net Gain (12½% of column 9, Schedule D) (see Instruction 6)	
23. Total of Items 20, 21, and 22		8333	00	31. Total Tax	741 55
24. Balance (Item 19 minus Item 23)		$ 8191	46	32. Less: Income Tax paid at source	$
25. Amount taxable at 4% (not over $4,000)		4000	00	33. Income and profits taxes paid to foreign countries or possessions of the U. S. (attach Form 1116)	
26. Balance taxable at 8% (Item 24 minus Item 25)		$ 4191	46	34. Balance of Tax (Item 31 minus Items 32 and 33)	$ 741 55

An amended return must be marked "Amended" at top of return.

Checks and drafts will be accepted only if payable at par.

COMPUTATION PROVED

Mar. 39 20

SCHEDULE A.—INCOME FROM BUSINESS OR PROFESSION. (See Instruction 2.)

[Not filled out]

SCHEDULE B.—INCOME FROM RENTS AND ROYALTIES. (See Instruction 5.)

1. Kind of Property.	2. Amount Received.	3. Cost, or Value March 1, 1913.	4. Depreciation and Depletion.	5. Repairs	6. Other Expenses.	7. Net Income (Enter as Item 5.)
Dwellings	$1,500.00	$21,500.00	$1,237.50	$401.00	$	$ 138.50
Props	1,671.31	Various	None	None		1,671.31
Royalties	435.00					435.00
	$3,606.31		$1,237.50	$401.00		$1,967.81

SCHEDULE C.—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 6.)

1. Kind of Property.	2. Date Acquired.	3. Amount Received.	4. Depreciation	5. Cost.	6. Value March 1, 1913.	7. Subsequent Improvements.	8. Net Profit (Enter as Item 6).
Bonds	Sundry	$24,548.50	$	$25,706.69	$	$	$1,158.19
Real Est.	1921	26,404.87		19,567.45			—
" "	1923	11,645.00		5,000.00			—
		$62,598.37		$50,274.14			—

SCHEDULE D.—CAPITAL NET GAIN FROM SALE OF ASSETS HELD FOR MORE THAN TWO YEARS. (Optional, see Instruction —.)

[Not filled out]

SCHEDULE E.—TAXABLE INTEREST ON LIBERTY BONDS, ETC. (See Instruction 8.)

[Not filled out]

SCHEDULE F.—EXPLANATION OF LOSSES BY FIRE, STORM, ETC. (See Instruction 13.)

1. Kind of Property.	2. Date Acquired.	3. Cost, or Value March 1, 1913.	4. Subsequent Improvements.	5. Depreciation.	6. Insurance.	7. Salvage Value.	8. Net Loss. (Enter as Item 13.)
Speed boat wrecked by explosion	1921	Balance of cost of construction not reported last year					$436.82

SCHEDULE G.—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 14, 15, AND 16.

14—(a) Notes and Accounts receivable, (b) 1922 and 1923, (c) 1923, (d) Bankruptcy and decease without sufficient estate to satisfy claims.

15—(b) See Schedule attached.

AFFIDAVIT.

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return made in good faith, for the taxable period as stated, pursuant to the Revenue Act of 1921 and the Regulations issued under authority thereof.

CECIL B. deMILLE.
1520 Vine Street.

Sworn to and subscribed before me this 13th day of March, 192—.

[Seal] GLADYS ROSSON,
Notary Public.

My Commission Expires June 12, 1927.

[563]

SCHEDULE #9

CECIL B. DE MILLE

EXPENSE ANALYSIS

YEAR TO DECEMBER 31st, 1923

BUSINESS EXPENSE		
Depreciation autos, furniture, etc.	$ 7,182.96	
Traveling expenses & hotel bills	2,714.06	
Chauffeur's wages & expenses	2,149.13	
Automobile maintenance & repairs	556.70	
Insurance, autos, furniture, etc.	917.42	
Detective service	1,368.81	
Commissions paid for sale of real estate	1,250.00	
Telegrams	309.02	
Business organization dues	157.00	
Advertising	280.00	
Projecting	133.25	
Legal and accounting	189.79	
Trade magazines	52.50	
Sundry	179.63	
Litigation on picture rights	12,648.68	
TOTAL BUSINESS EXPENSE		$30,088.95
INTEREST PAID		
Laughlin Park	$ 2,388.88	
Commercial National $29,000.00 note	669.70	
Security Trust & Savings Bank, sundry notes	821.66	
Thomas Hussey—Observatory Av. property	580.98	
Ella Lumm—Argyle Av. property	181.06	
Accrued	86.13	
TOTAL INTEREST PAID		$ 4,728.41

DONATIONS		
Hollywood Studio Club	$ 1,000.00	
Kings Daughters	10.00	
Arthurs League Fund	1.00	
Childrens Hospital	30.00	
American Red Cross	25.00	
Actors Fund benefit	100.00	
Masonic Hall and Asylum	5.00	
Shrine Xmas relief	5.00	
Sundries	7.00	
TOTAL DONATIONS		$ 1,183.00

[564]

PETITIONER'S EXHIBIT 1.

U. S. Board of Tax Appeals. Div. 11. Docket 52995. Admitted in evidence Dec. 13, 1933.

No. 11616

FRANK C. JORDAN, Secretary of State
FRANK H. CORY, Deputy

STATE OF CALIFORNIA
Department of State

I, FRANK C. JORDAN, Secretary of State of the State of California, do herey certify that I have carefully compared the annexed copy of Articles of Incorporation of

CECIL B. deMILLE PRODUCTIONS, INC.

with the.....original now on file in my office, and that the sum is a correct transcript therefrom, and of the whole thereof. I further certify that this authentication is in due form and by the proper officer.

IN WITNESS WHEREOF, I have hereunto set my hand and have caused the Great Seal of the State of California to be affixed hereto this 20th day of May A. D. 1922.

FRANK C. JORDAN
Secretary of State

[Great Seal]

By FRANK H. CORY
Deputy [565]

Copy

ARTICLES OF INCORPORATION
of
CECIL B. DE MILLE PRODUCTIONS, INC.

Know all men by these presents:

That we, the undersigned, a majority of whom are residents of the State of California, have this day associated ourselves for the purpose of forming a corporation under the laws of the State of California,

AND WE HEREBY CERTIFY:

FIRST

That the name of said corporation is
CECIL B. DE MILLE PRODUCTIONS, INC.

SECOND

That the purposes for which said corporation is formed are:

1. To own, manufacture, produce, procure, make and develop, and to present, exhibit, release, show, distribute, book, lease, let or license others to use,

and generally deal in and with motion pictures and other pictures, features, feature films and photographic films, displays and exhibitions of all kinds.

2. To build, construct, acquire, own, rent, use, operate, maintain and conduct, and to dispose of, sell, lease, let or license others to use, and generally to deal in and with motion picture theatres, theatres, places of amusement, places of exhibition, studios, sets, locations, plants, factories, agencies, booking or distributing offices, buildings and constructions.

3. To manufacture, buy, sell and generally deal in and with film, photographic or projecting apparatus, appliances, devices, accessories, apparatus and other materials or things which may be deemed useful, necessary or convenient in connection with the motion picture industry generally, or any branch or branches thereof.

4. To secure by purchase, lease, license or other method or means, copyrights, rights of presentation, licenses, rights and privileges of any and every kind, in and to scenarios, books, plays, dramatic or [566] musical compositions, lyrics, acts and scenes, and to sell, license, lease and otherwise dispose thereof.

5. To engage by contract or otherwise employ artists, actors, performers, directors, producers, scenario writers, art directors, authors, title writers, mechanicians, artisans, property men, workmen, and all others necessary and useful in connection with any or all of the business of the corporation.

6. To manufacture, purchase or otherwise acquire, own, mortgage, pledge, sell, assign and transfer, or otherwise dispose of, to invest, trade, deal in and deal with, goods, wares, and merchandise and personal property of every class and description.

7. To acquire the good will, business, property and assets, and to assume or undertake the whole or any part of the liabilities of any person, firm, association, partnership or corporation, and to pay for the same in cash, stock, bonds, debentures or other securities of the corporation, or otherwise as the directors may determine, and to hold or in any manner operate, conduct or dispose of the whole or any part of such businesses, property and assets so acquired.

8. To apply for, acquire, buy, sell, assign, lease, pledge, mortgage or otherwise dispose of letters patent of the United States or of any foreign country, and all or any rights, territorial or otherwise thereunder; and to apply for, acquire, hold, sell, assign, lease, mortgage or otherwise dispose of patent rights, licenses, privileges, inventions, copyrights, trade marks, trade names and pending applications therefor, relating to or useful in connection with any business of the corporation.

9. To buy, sell, or otherwise acquire, hold, own, use, manage, improve, maintain, develop, rent, mortgage or otherwise encumber, and to transfer or exchange real estate or any interest therein; to trade and deal in and with real property, im-

proved or unimproved, in the State of California and elsewhere.

10. To purchase or otherwise acquire from time to time, shares of its own capital stock, insofar as the same may be permitted by law, and to own, hold, sell, transfer or reissue the same.

11. To borrow money and to issue bonds, debentures, notes and other [567] evidences of indebtedness and obligations from time to time for any lawful corporate purpose, and to mortgage, pledge, and otherwise charge any and all of its properties, rights, privileges and franchises to secure the payment thereof.

12. To loan money, to guarantee, purchase, acquire, own, hold, sell, assign, transfer, mortgage, pledge or otherwise dispose of and deal in shares of the capital stock, bonds, debentures, notes or other securities or evidences of indebtedness, of any other corporation or association, whether domestic or foreign, and whether now or hereafter organized; and while the holder thereof to exercise all the rights, powers and privileges of ownership, including the rights to vote thereon to the same extent as a natural person might or could do; and to deal in stocks and securities either as an agent or broker, or otherwise.

13. To guarantee the payment of dividends or interest on any shares of stock, bonds, debentures or other securities or obligations of this or any other company; to become guarantor in connection with any contracts or obligations of any person,

firm or corporation, whenever in the judgment of the Board of Directors, proper or necessary in connection with the business of the Company.

14. To make and enter into contracts of every sort and kind with any individual, firm, corporation or association, private, public or municipal, body politic, and with the Government of the United States, or any State, territory or colony thereof.

The foregoing clauses shall be construed both as objects and powers; and the foregoing enumeration of specific powers shall not be held to limit or restrict in any manner the powers of the corporation.

THIRD

That the place where the principal business of said corporation is to be transacted is in the City of Los Angeles, in the County of Los Angeles, State of California.

FOURTH

That the term for which said corporation is to exist is for [568] fifty (50) years from and after the date of its incorporation.

FIFTH

That the number of its directors shall be five (5) and the names and residences of those who are appointed for the first year, and to act until their successors have been elected and qualified, are as follows:

R. M. KEARY, Residing in Los Angeles, California;

G. G. WELLMAN, Residing in Los Angeles, California;

C. M. SHARP, Residing in Los Angeles, California;

E. J. NOLAN, Residing in Los Angeles, California;

HERBERT FRESTON, Residing in Los Angeles, California.

SIXTH

That the amount of the capital stock of the corporation is Five Hundred Thousand Dollars ($500,000.00) and the number of shares into which it is divided is Five Thousand (5,000) shares of the par value of One Hundred Dollars ($100.00) each.

SEVENTH

That the amount of the capital stock which has actually been subscribed is Five (5) shares of the par value of One Hundred Dollars ($100.00) each, and the following are the names of the persons by whom the same have been subscribed:

R. M. KEARY, One share of the par value of $100.00;

G. G. WELLMAN, One share of the par value of $100.00;

C. M. SHARP, One share of the par value of $100.00;

E. J. NOLAN, One share of the par value of $100.00;

HERBERT FRESTON, One share of the par value of $100.00.

IN WITNESS WHEREOF, we, the incorporators and the persons hereinabove named as directors for the first year, hereunto set our hands, this 18th day of May, 1922.

C. M. SHARP, (Seal)
G. G. WELLMAN, (Seal)
R. M. KEARY, (Seal)
E. J. NOLAN, (Seal)
HERBERT FRESTON, (Seal)

State of California
County of Los Angeles—ss.

On this 18th day of May, 1922, before me, a Notary Public in [569] and for the said county and state, personally appeared R. M. KEARY, G. G. WELLMAN, C. M. SHARP, E. J. NOLAN, and HERBERT FRESTON, personally known to me to be the persons whose names are subscribed to the foregoing Articles of Incorporation, as incorporators, and who are also named therein as directors for the first year, and each acknowledged to me that he executed the said instrument.

IN WITNESS WHEREOF, I have hereunto affixed my hand and official seal, this 18th day of May, 1922.

[Seal] KENDALL B. PERKINS,
Notary Public in and for the County of Los Angeles, State of California. [570]

[Endorsed]: No. 25841. Articles of Incorporation of the Cecil B. deMille Productions, Inc.

Endorsed. No. 99057.

Filed in the office of the Secretary of State of the State of California, May 20, 1922.

FRANK C. JORDAN,
Secretary of State
ROBERT V. JORDAN,
Deputy

Filed Jun 8, 1922.

L. E. LAMPTON,
County Clerk
By R. E. THORNE,
Deputy [571]

Ch. Deputy 2 27730

(U. S. Rev. St., Sec. 905—Attestation of Clerk, Certificate of Judge, and Certificate of Clerk to official character of Judge)

No. 25841 (Corp.)

State of California,
County of Los Angeles.—ss.

I, L. E. LAMPTON, County Clerk of the County of Los Angeles, State of California, and ex-officio Clerk of the Superior Court of Los Angeles, State of California, do hereby certify and attest the foregoing to be a full, true and correct copy of ARTICLES OF INCORPORATION OF CECIL B. deMILLE PRODUCTIONS, INC. (as certified by the Secretary of State, of the State of California) on file in my office, and that I have carefully compared the same with the certified copy.

IN WITNESS WHEREOF, I have hereunto set my hand and annexed the Seal of the Superior Court of Los Angeles County, State of California, this 8th day of December, 1933.

[Seal] L. E. LAMPTON,
County Clerk of the County of Los Angeles, State of California, and ex-officio Clerk of the Superior Court of Los Angeles County, State of California.

State of California,
County of Los Angeles.—ss.

I, MARSHALL F. McCOMB, Judge of the Superior Court of Los Angeles County, State of California, do hereby certify that L. E. LAMPTON is County Clerk of the County of Los Angeles, State of California, and ex-officio Clerk of the Superior Court of Los Angeles County, State of California (which Court is a Court of Record, having a seal); that the signature to the foregoing certificate and attestation is the genuine signature of the said L. E. LAMPTON as such officer; that the seal annexed thereto is the seal of said Superior Court; that said L. E. LAMPTON, as such Clerk, is the proper officer to execute the said certificate and attestation, and that such attestation is in due form according to the laws of the State of California.

IN WITNESS WHEREOF, I have hereunto set my hand in my official character as such Judge, at

the City of Los Angeles, County and State aforesaid, this 8th day of December, A. D. 1933.

MARSHALL F. McCOMB,
Judge of the Superior Court of Los Angeles County, State of California.

State of California,
County of Los Angeles.—ss.

I, L. E. LAMPTON, County Clerk of the County of Los Angeles, State of California, and ex-officio Clerk of the Superior Court of Los Angeles County, State of California (which Court is a Court of Record, having a seal which is annexed hereto), do hereby certify that MARSHALL F. McCOMB, whose name is subscribed to the foregoing certificate of due attestation was, at the time of signing the same, Judge of the Superior Court aforesaid, and was duly commissioned, qualified and authorized by law to execute said certificate. And I do further certify that the signature of the Judge above named to the said certificate of due attestation is genuine.

IN WITNESS WHEREOF, I have hereunto set my hand and annexed the Seal of the Superior Court, at my office in said County, this 8th day of December, A. D. 1933.

[Seal] L. E. LAMPTON,
County Clerk of the County of Los Angeles, State of California, and ex-officio Clerk of the Superior Court of Los Angeles County, State of California. [572]

PETITIONER'S EXHIBIT 2.

U. S. Board of Tax Appeals. Div. 11. Docket 52995. Admitted in evidence Dec. 13, 1933.

CECIL B. DeMILLE PRODUCTIONS, INC.
1924-1929 [573]

CECIL B. DE MILLE PRODUCTIONS, INC.
1924-1929

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EXHIBIT A

CECIL B. DE MILLE PRODUCTIONS, INC.

COMPARATIVE BALANCE SHEETS

Sch. No.		—December 31,— 1923	1924	Increase Decrease
	ASSETS			
	Cash	$ 54,272.06	$ 58,195.02	$ 3,922.96
1	Notes and Accounts Receivable	33,372.22	22,865.98	10,506.24
2	Stocks and Bonds	93,066.50	139,614.70	46,548.20
3	Real Estate	357,008.48	486,510.29	129,501.81
	Furniture and Fixtures	1,300.72	1,651.45	350.73
	Automobiles	6,069.00	7,869.00	1,800.00
	Yacht	66,145.03	66,145.03	—
	Dramatic Properties	31,678.50	33,028.50	1,350.00
	Farm Implements	—	1,817.40	1,817.40
	Picture Rights	10,000.00	7,500.00	2,500.00
	Contracts (F.P.L.)	149,257.59	149,257.59	—
	Sundry (Life Ins. Prem. etc.)	13,434.00	26,721.57	13,287.57
		$ 815,604.10	$1,001,176.53	$ 185,572.43
	LIABILITIES			
4	Notes and Mortgages Payable	$ 181,767.09	$ 201,194.45	$ 19,427.36
5	Accounts Payable	2,310.97	12,108.50	9,797.53
	Reserves			
	Interest Accrued	3,302.64	1,320.40	1,982.24
	Depreciation	17,860.02	35,966.58	18,106.56
	Amortization (F.P.L. Con't.)	38,509.18	90,749.34	52,240.16
	" (Picture Rights)	—	1,500.00	1,500.00
	Capital Stock	400,000.00	400,000.00	—
	Surplus	171,854.20	258,337.26	86,483.06
		$ 815,604.10	$1,001,176.53	$ 185,572.43

Analysis of Surplus—1924

Balance First of Year	$171,854.20
Net Income 1924	90,483.06
	262,337.26
Dividends Paid	4,000.00
Balance—End of Year	$258,337.26

[575]

EXHIBIT A-1

CECIL B. DE MILLE PRODUCTIONS, INC.

COMPARATIVE BALANCE SHEETS

Sch. No.		—December 31,— 1924	1925	Increase Decrease
	ASSETS			
	Cash	$ 58,195.02	$ 43,845.77	$ 14,349.25
1	Notes and Accounts Receivable	22,865.98	364,001.33	341,135.35
2	Stocks and Bonds	139,614.70	234,312.02	94,697.32
3	Real Estate	486,510.29	500,476.55	13,966.26
	Furniture and Fixtures	1,651.45	2,813.18	1,161.73
	Automobiles	7,869.00	8,940.00	1,071.00
	Yacht	66,145.03	66,111.91	33.12
	Dramatic Properties	33,028.50	33,028.50	—
	Farm Implements	1,817.40	1,842.40	25.00
	Picture Rights	7,500.00	2,500.00	5,000.00
	Contract (F.P.L.)	149,257.59	149,257.59	—
	Sundry	26,721.57	18,826.00	7,895.57
		$1,001,176.53	$1,425,955.25	$ 424,778.72
	LIABILITIES			
4	Notes and Mortgages Payable	$ 201,194.45	$ 178,142.95	$ 23,051.50
5	Accounts Payable	12,108.50	2,716.95	9,391.55
	Reserves			
	Interest Accrued	1,320.40	1,358.72	38.32
	Depreciation	35,966.58	55,635.75	19,669.17
	Amortization (Cont.)	90,749.34	128,063.74	37,314.40
	" (Picture)	1,500.00	1,000.00	500.00
	Capital Stock	400,000.00	400,000.00	—
	Surplus	258,337.26	659,037.14	400,699.88
		$1,001,176.53	$1,425,955.25	$ 424,778.72

Surplus 1925	
Balance First of Year	$258,337.26
Net Income 1925	404,699.88
	663,037.14
Dividends Paid	4,000.00
Balance—End of Year	$659,037.14

[576]

EXHIBIT A-2

CECIL B. DE MILLE PRODUCTIONS, INC.

COMPARATIVE BALANCE SHEETS

Sch. No.		—December 31,— 1925	1926	Increase Decrease
	ASSETS			
	Cash	$ 43,845.77	155,840.06	111,994.29
1	Notes and Accounts Receivable	364,001.33	225,536.79	138,464.54
2	Stocks and Bonds	234,312.02	639,491.51	405,179.49
3	Real Estate	500,476.55	539,744.40	39,267.85
	Furniture and Fixtures	2,813,18	11,155.97	8,342.79
	Automobiles	8,940.00	8,340.00	600.00
	Yacht	66,111.91	66,111.91	—
	Dramatic Properites	33,028.50	33,028.50	—
	Farm Implements	1,842.40	2,021.40	179.00
	Picture Rights	2,500.00	2,500.00	—
	Contract	149,257.59	—	149,257.59
	Sundry (Life Ins. Prem., etc.)	18,826.00	21,568.00	2,742.00
	Livestock	—	4,445.00	4,445.00
		$1,425,955.25	1,709,783.54	283,828.29
	LIABILITIES			
4	Notes and Mortgages Payable	$ 178,142.95	128,898.50	49,244.45
5	Accounts Payable	2,716.95	25,804.08	23,087.13
	Reserves			
	Accrued Interest	1,358.72	—	1,358.72
	Depreciation	55,635.75	72,804.60	17,168.85
	Amortization (Cont.)	128,063.74	—	128,063.74
	" (Pictures)	1,000.00	1,500.00	500.00
	Capital Stock	400,000.00	400,000.00	—
	Surplus	659,037.14	1,080,776.36	421,739.22
		$1,425,955.25	1,709,783.54	283,828.39

Surplus—1926		
Balance—First of Year	$ 659,037.14	
Net Income 1926	461,739.22	
	$1,120,776.36	
Dividends Paid	40,000.00	
	$1,080,776.36	

EXHIBIT A-3

CECIL B. DE MILLE PRODUCTIONS, INC.

COMPARATIVE BALANCE SHEETS

Sch. No.		—December 31,— 1926	1927	Increase Decrease
	ASSETS			
	Cash	$ 155,840.06	169,327.66	13,487.60
1	Notes and Accounts Receivable	225,536.79	218,187.44	7,349.35
2	Stocks and Bonds	639,491.51	723,338.45	83,846.94
3	Real Estate	539,744.40	607,819.68	68,075.28
	Furniture and Fixtures	11,155.97	12,871.15	1,715.18
	Autos	8,340.00	9,078.62	738.62
	Yacht	66,111.91	38,598.86	27,513.05
	Dramatic Properties	33,028.50	33,028.50	—
	Farm Implements	2,021.40	2,389.92	368.52
	Picture Rights	2,500.00	2,500.00	—
	Life Insurance Premium Paid	21,568.00	26,960.00	5,392.00
	Live Stock	4,445.00	6,972.50	2,527.50
	Leasehold	—	18,333.33	18,333.33
		$1,709,783.54	1,869,406.11	159,622.57
	LIABILITIES			
4	Notes and Mortgages Payable	$ 128,898.50	215,558.50	86,660.00
5	Accounts Payable	25,804.08	30,977.71	5,173.63
	Reserves			
	Depreciation	72,804.60	85,913.22	13,108.62
	Amortization (Pictures)	1,500.00	2,000.00	500.00
	Capital Stock	400,000.00	400,000.00	—
	Surplus	1,080,776.36	1,134,956.68	54,180.32
		$1,709,783.54	1,869,406.11	159,622.57

Surplus 1927		
Balance First of Year	$1,080,776.36	
Net Income 1927	94,180.32	
	1,174,956.68	
Dividends Paid	40,000.00	
Balance End of Year	$1,134,956.68	

[578]

EXHIBIT A-4

CECIL B. DE MILLE PRODUCTIONS, INC.

COMPARATIVE BALANCE SHEETS

Sch. No.		—December 31,— 1927	1928	Increase Decrease
	ASSETS			
	Cash	$ 169,327.66	243,142.80	73,815.14
1	Notes and Accounts Receivable	218,187.44	364,429.46	146,242.02
2	Stocks and Bonds	723,338.45	1,085,966.25	362,627.80
3	Real Estate	607,819.68	691,629.61	83,809.93
	Furniture and Fixtures	12,871.15	18,307.41	5,436.26
	Autos	9,078.62	6,293.24	2,785.38
	Yacht	38,598.86	58,642.01	20,043.15
	Dramatic Property	33,028.50	33,028.50	—
	Farm Implements	2,389.92	3,314.92	925.00
	Picture Rights	2,500.00	—	2,500.00
	Life Ins. Premium	26,960.00	52,887.00	25,927.00
	Live Stock	6,972.50	7,144.50	172.00
	Leasehold	18,333.33	—	18,333.33
		$1,869,406.11	2,564,785.70	695,379.59
	LIABILITIES			
4	Notes and Mortgages Payable	$ 215,558.50	265,048.50	49,490.00
5	Accounts Payable	30,977.71	21,607.29	9,370.42
	Reserves			
	Depreciation	85,913.22	97,642.90	11,729.68
	Amortization (Pictures)	2,000.00	—	2,000.00
	Capital Stock	400,000.00	800,000.00	400,000.00
	Surplus	1,134,956.68	1,380,487.01	245,530.33
		$1,869,406.11	2,564,785.70	695,379.59

Surplus 1928		
Balance First of Year		$1,134,956.68
Net Income 1928		701,530.33
		1,836,487.01
Dividends—Cash	56,000.00	
Stock	400,000.00	456,000.00
Balance—End of Year		$1,380,487.01

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EXHIBIT A-5

CECIL B. DE MILLE PRODUCTIONS, INC.

COMPARATIVE BALANCE SHEETS

Sch. No.		—December 31,— 1928	1929	Increase Decrease
	ASSETS			
	Cash	$ 243,142.80	389,499.75	146,356.95
1	Notes and Accounts Receivable	364,429.46	172,319.09	192,110.37
2	Stocks and Bonds	1,085,966.25	1,143,147.49	57,181.24
3	Real Estate	691,629.61	826,257.97	134,628.36
	Furniture and Fixtures	18,307.41	27,790.42	9,483.01
	Autos	6,293.24	6,686.89	393.65
	Yacht	58,642.01	59,671.51	1,029.50
	Dramatic Property	33,028.50	33,028.50	—
	Farm Implements	3,314.92	5,106.87	1,791.95
	Life Insurance	52,887.00	68,435.00	15,548.00
	Live Stock	7,144.50	10,118.50	2,974.00
	Picture Rights	—	475.00	475.00
		$2,564,785.70	2,742,536.99	177,751.29
	LIABILITIES			
4	Notes and Mortgages Payable	$ 265,048.50	488,034.47	222,985.97
5	Accounts Payable	21,607.29	1,151.59	20,455.70
	Reserve for Depreciation	97,642.90	119,607.42	21,964.52
	Capital Stock	800,000.00	800,000.00	—
	Surplus	1,380,487.01	1,333,743.51	46,743.50
		$2,564,785.70	2,742,536.99	177,751.29

Surplus—1929		
Balance First of Year	$1,380,487.01	
Net Income 1929	1,256.50	
	1,381,743.51	
Dividends Paid	48,000.00	
Balance End of Year	$1,333,743.51	

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EXHIBIT B

CECIL B. DE MILLE PRODUCTIONS, INC.

PROFIT AND LOSS STATEMENT

Sch 1925 1928		1924	1925	1926	1927	1928	1929
	Income Taxable)						
6	Profit or Loss Sale of Securities	$ 2,432.12	2,538.98	24,471.74	2,166.28	616,191.96	102,483.22
7	Profit on Sale of Real Estate, etc.	37,993.41	28,690.39	25,935.55	28,237.87	33,442.48	.....
8	Contracts	351,629.00	256,310.00	234,000.00	248,000.00	309,652.99	150,000.00
	Interest	2,709.41	2,181.04	13,061.76	14,497.30	15,655.48	32,115.50
8	Royalties	.....	308,503.03	387,086.06	39,930.68	108,571.73	293,481.77
	Miscellaneous Income	1,616.20	2,024.04	115.00	1,273.31	5,629.55	2,644.31
	Gross Taxable Income	391,515.90	600,247.48	684,240.11	334,105.44	1,022,259.23	375,758.36

EXHIBIT B (Cont.)

CECIL B. DE MILLE PRODUCTIONS, INC.

PROFIT AND LOSS STATEMENT

Sch
1925
1928

	1924	1925	1926	1927	1928	1929
Allowable Deductions						
Payroll	167,725.00	71,733.35	67,097.99	99,702.50	196,785.87	218,785.00
Interest	9,925.49	1,281.35	565.64	2,798.50	4,838.12	14,966.40
Taxes (Miscellaneous Local)	1,832.96	2,970.93	1,911.45	4,023.72	6,716.96	3,924.69
9 Net Real Estate Expenses (Inc. Taxes and Dep.)	21,467.21	31,878.23	33,477.91	42,954.61	27,549.08	32,331.68
Kitchen Expenses	.....	2,314.02	1,436.92	2,571.92	2,707.04	2,428.50
Yacht Expense	17,967.93	29,870.58	43,239.88	20,868.76	24,827.12	23,322.06
Publicity	.....	.....	1,476.25	3,866.16	5,993.90	3,782.09
Amortization of Contract	52,240.16	37,314.40	21,193.85	.....	.....	.....
Auto Expense	1,133.91	1,107.18	1,726.14	3,042.66	3,555.23	2,387.00
Traveling Expenses	2,235.00	6,724.27	4,994.81	5,650.00	1,354.87	321.14
Miscellaneous Expenses	3,563.29	5,940.95	11,648.49	5,702.75	6,263.29	18,156.58
Depreciation (Office and Miscellaneous)	1,600.00	1,715.57	1,958.69	1,182.28	1,848.92	6,077.13
Amortization (Picture Rights)	1,500.00	500.00	500.00	500.00	500.00	.....
Bad Debts	6,792.48	6,273.34	500.00	135.00	22,824.64	.....
Total Allowable Deduction	287,983.43	199,624.17	191,731.02	192,998.86	305,765.04	326,482.27

EXHIBIT B (Cont.)

CECIL B. DE MILLE PRODUCTIONS, INC.

PROFIT AND LOSS STATEMENT

ch
925
928

	1924	1925	1926	1927	1928	1929
Non-Taxable Income						
Dividends	4,924.41	17,063.76	21,499.66	25,761.79	33,594.82	41,129.70
Interest	142.50	95.00	49.14	728.67	1,227.16	1,954.64
	5,066.91	17,158.76	21,548.80	26,490.46	34,821.98	43,084.34
Unallowable Deductions						
Kitchen Expense (¼ of total)				857.30	902.35	809.50
Life Insurance Prem.					17,274.50	4,185.13
Contributions and Personal		275.00	242.85	2,603.00	9,500.00	130.00
Federal Income Tax Paid	18,116.32	12,807.19	52,075.82	69,956.42	22,108.99	85,979.30
	18,116.32	13,082.19	52,318.67	73,416.72	49,785.84	91,103.93
Net Income	$ 90,483.06	404,699.88	461,739.22	94,180.32	701,530.53	1,256.50

[581]

PETITIONER'S EXHIBIT 2

EXHIBIT B-1 to Petitioner's Exhibit No. 2.

1924

The item of $351,629.00, under "Income" opposite "Contracts", represents $6,731.00 per week for 52 weeks (and a fraction of a week).

1925

The item of $256,310.00, under "Income" opposite "Contracts", represents $6,731.00 per week for 10 weeks from Famous Players Laskey and $4,500.00 per week for 42 weeks from Cecil B. deMille Pictures Corporation.

1926

The item of $234,000.00, under "Income" opposite "Contracts", represents $4,500 per week for 52 weeks from Cecil B. deMille Pictures Corporation.

1927

The item of $248,000.00, under "Income" opposite "Contracts", represents $4,500 per week for 24 weeks and $5,000 per week for 28 weeks.

1928

The item of $309,652.99, under caption "Income" opposite "Contracts" represents $5,000 per week for 18 weeks; $833.35 for 1 day at the rate of $5,000 per week; $50,000 received n settlement of cancellation of contract with Pathe Exchange, Inc.; equipment of the value of $100,000 and cash surrender value of insurance policies $18,819.64 also received in connection with cancellation of said Pathe Ex-

change, Inc. contract; and $5,000 per week for 10 weeks under Metro-Goldwyn Mayer Corporation contract.

1929

The item of $150,000, under "Income" opposite "Contracts", represents $5,000 per week for 30 weeks. [582]

EXHIBIT "C"

CECIL B. DEMILLE PRODUCTIONS, INC.

STATEMENT OF FUNDS PROVIDED AND APPLICATION

Funds Provided	1924	1925	1926	1927	1928	1929
Net Income (Exh. "B")	$ 90,483.06	404,699.88	461,739.22	94,180.32	701,530.33	1,256.50
Add: (Non-cash items)						
Depreciation (Less fully depreciated items charged to Reserves)	18,106.56	19,669.17	17,168.85	13,108.62	11,729.68	21,964.52
Amortization	53,740.16	37,814.40	21,693.85	500.00	500.00	.....
Accrued Income (Decrease)	.....	.....	301,407.83	8,142.58	.....	.....
Accrued Expenses (Increase)	.....	38.32	.....	.....	.....	.....
	162,329.78	462,221.77	802,009.75	115,931.52	713,760.01	23,221.02
Deduct: (Non-cash items)						
Accrued Expenses (Decrease)	1,982.24	.....	1,358.72	.....	.....	.....
Accrued Income (Increase)	.....	309,550.41	.....	.....	.....	.....
Net Cash Income	160,347.54	152,671.36	800,651.03	115,931.52	713,760.01	23,221.02

EXHIBIT "C" (Cont.)

CECIL B. DEMILLE PRODUCTIONS, INC.

STATEMENT OF FUNDS PROVIDED AND APPLICATION

Funds Provided	1924	1925	1926	1927	1928	1929
Application						
Increase or Decrease in assets						
Real Estate	129,501.81	13,966.26	39,267.85	68,075.28	83,809.93	134,628.36
Personal Property	5,318.13	2,224.61	13,366.79	3,829.90	5,457.70	15,672.11
Life Insurance	.....	5,392.00	2,742.00	5,392.00	25,927.00	15,548.00
Stocks and Bonds	46,548.20	94,697.32	405,179.49	83,846.94	362,627.80	57,181.24
Cash Funds	17,210.53	27,636.82	111,994.29	13,487.60	73,815.14	146,356.95
Notes and Accounts Receivable	10,506.24	31,584.94	162,943.29	793.23	146,242.02	192,110.37
Picture Rights	2,500.00	4,000.00	.....	.....	.....	475.00
	185,572.43	116,228.31	735,493.71	167,765.15	697,879.59	177,751.29
Increase or Decrease in Liabilities						
Notes and Mortgages and Accounts Payable	29,224.89	32,443.05	26,157.32	91,833.63	40,119.58	202,530.27
Net Increase or Decrease	156,347.54	148,671.36	761,651.03	75,931.52	657,760.01	24,778.98
Dividends Paid	4,000.00	4,000.00	40,000.00	40,000.00	56,000.00	48,000.00
Total	$160,347.54	152,671.36	800,651.03	115,931.52	713,760.01	23,221.02

SCHEDULE 1

Cecil B. DeMille Productions, Inc.

ACCOUNTS AND NOTES RECEIVABLE

	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Roy F. Burns	$	.....	.....	.....	1,240.00	740.00
Salt River Valley Land Co.	.....	.....	.....	.....	4,680.17	3,400.00
August Fyhn or J. C. Hanson	.....	.....	.....	.....	7,500.00	6,240.44
Otto Busch	500.00	500.00	.....	.....	.....	.....
Ed McNeary (Funds)	200.00	200.00	200.00	200.00	200.00	200.00
Jeanie McPherson	533.92	532.92	.....	1,200.50	900.00	1,800.00
C. B. DeMille (Open a/c)	614.36	1,710.07	1,878.19	469.37	4,371.56	.....
Frederick Hilpert	.....	.....	.....	8,000.00	8,000.00	8,000.00
Kenneth Lyne	.....	.....	.....	6,000.00	.....	.....
A. G. King	.....	.....	.....	4,000.00	8,450.00	4,189.17
Sylvia Ashton	4,224.51	.....	.....	.....	.....	.....
Royal Dairy Products	.....	.....	.....	.....	23,250.00	24,769.89
Rudolph Berliner	4,150.00	4,450.00	4,450.00	4,450.00	.....	50.00
C. O. Raynsford	.....	.....	.....	4,471.66	4,224.42	3,609.14
P. E. Clagett	300.00	.....	.....	.....	.....	.....
C. B. DeMille	5,000.00	10,000.00	113,400.00	65,400.00	25,900.00	10,900.00

SCHEDULE 1 (Cont.)

	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Jackie Coogan Productions	4,862.50					
Metro-Goldwyn-Mayer					40,000.00	
E. F. Hutton & Co.					100,000.00	
Pelton Mtg.	900.00	725.00				
Julia Faye		6,900.00	5,400.00	11,441.68	5,357.87	5,357.87
Nuestra Inv. Co.		28,251.93				
Schildkraut		1,000.00				
Calif. Air Construction					13,000.00	
S. G. Pouty			1,500.00	1,500.00		
E. K. Adams			250.00	250.00	250.00	
A. & E. Burkowitz			35,000.00			
Wm. Bragaw			2,500.00	2,500.00	2,500.00	2,500.00
M. L. Leisen				2,194.37	1,293.38	457.68
Royalties Accrued		308,503.03	6,864.23			
Rentals Accrued	66.75	1,047.38	1,278.35			
R. A. & J. Dowan			3,369.35	2,528.69		
G. H., B. and J. H. Flebbe			9,750.00	9,200.19	12,167.00	13,167.00
Fred Geissler			7,000.00	6,297.78		
Bessie McGaffey			4,929.55	4,233.91	3,507.27	2,813.89
J. & M. Miller			1,202.84	3,767.35		

SCHEDULE 1 (Cont.)

	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Alice Rose			10,253.50	8,896.89	9,285.39	
Hy Stockridge			1,000.00			
F. C. Van Deinse			15,000.00	15,000.00	15,000.00	15,000.00
Popular Theatres				445.40		
Emma Dunn				250.00	250.00	
F. M. Andreani or J. L. Danziger				25,970.00	29,587.15	27,894.09
Elias-Katz Shoe Co. or San Pedro Realty Co.				30,000.00	19,250.00	11,000.00
Roosevelt Irrigation District					20,000.00	
Miscellaneous	1,513.94	180.00	310.78	458.39	4,265.25	30,229.92
	$22,865.98	364,001.33	225,536.79	218,187.44	364,429.46	172,319.09

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SCHEDULE 2

Cecil B. DeMille Productions, Inc.

STOCKS AND BONDS

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	21/31/29
Stocks							
Union Pacific Railway Co.	.....	.....	.....	.....	.....	20,235.00	20,235.00
Famous Players Lasky	4,019.86	11,542.36	.....	.....	.....	.....	.....
Boston Food Products	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500.00	2,500,00
Cent. Inv. Co.	26,700.00	26,700.00	26,700.00	26,700.00	26,700.00	26,700.00	26,700.00
Cent. Garage	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
L. A. Speedway Corp.	5,250.00	175.00	.....	.....	.....	.....	.....
Theatre Magazine Co.	500.00	500.00	500.00	500.00	500.00	500.00	500.00
Hollywood Hospital Co.	2,500.00	.....	.....	.....	.....	.....	.....
Commercial National Bank	2,500.00	.....	.....	.....	.....	.....	.....
Bancitaly Corp.	1,250.00	1,250.00	1,250.00	70,281.25	83,882.40	.....	.....
Bank of Italy	.....	.....	.....	83,940.07	108,334.12	.....	.....
Federal Trust & Savings Bank	5,400.00	.....	.....	.....	.....	.....	.....
L. A. Income Prop.	21,666.66	33,200.00	.....	.....	.....	.....	.....
The Phoenix Corp.	.....	5,001.54	.....	.....	.....	.....	.....
Americommercial Co.	.....	7,705.82	15,905.82	.....	.....	.....	.....
Elias-Katz Shoe Co.	.....	1,000.00	1,000.00	6,000.00	11,000.00	11,000.00	11,000.00

SCHEDULE 2 (Cont.)

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	21/31/29
Klag Bay Milling Co.		3,000.00	3,000.00				
Pioneers Pac. Worsted		10,000.00	10,000.00	13,000.00	13,000.00	13,000.00	
Southern Glass Co.		10,000.00	10,000.00	12,000.00	13,000.00	13,000.00	13,000.00
Cinema Corp.			50,000.00	50,000.00			
Elec. Products Corp.			5,000.00	5,990.00	7,190.00		
L. A. Homebuilders			1,000.00	1,000.00	1,000.00		
Marine Packing Co.			10,000.00	8,215.00	8,215.00		
North American Theatres			11,250.00	11,250.00	22,500.00	6,500.00	4,500.00
Production International			2,000.00	5,000.00	4,300.00		
Vine St. Holding Corp.			63,566.22	65,759.33	67,835.64	80,444.86	80,444.86
Bellingham Dev. Co.				5,000.00	5,000.00	5,000.00	5,000.00
Calif. Air Construction Co.				10,000.00	10,000.00		
California Petroleum Co.				6,070.00			
Van de Kamp						3,100.00	3,300.00
Central Business Prop.				25,000.00	25,000.00	25,000.00	25,000.00
Consolidated Royalties Oil				3,000.00	3,000.00		
Federal Bldg. Co.				5,000.00			
First National Bank				20,000.00			
Golden State Theatre & Realty Co.				14,990.00	14,990.00	20,790.00	20,790.00
Happiness Candy Stores				6,625.00			
E. F. Hutton & Co. (Margin A/c)				25,210.51	9,522.96	138,308.91	97,407.67

SCHEDULE 2 (Cont.)

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	21/31/29
Barneson & Co. (Margin A/c)	.....	.....	.....	.....	.....	84,666.18	.....
Julian Merger Mines	.....	.....	.....	2,000.00	.....	.....	.....
Katz Bay Mining Co.	.....	.....	.....	3,000.00	.....	.....	.....
Kiotana Hotel Undertaking	.....	.....	.....	6,250.00	6,250.00	6,250.00	2,500.00
Metropolitan Mtg. Co.	.....	.....	.....	11,500.00	11,500.00	11,500.00	11,500.00
Northern Pac. Ry.	.....	.....	.....	7,272.50	14,795.00	14,795.00	.....
Pacific Indem. Co.	.....	.....	.....	15,000.00	15,000.00	15,000.00	10,000.00
Pine Hills, Inc.	.....	.....	.....	10,000.00	10,000.00	10,000.00	10,000.00
Std. Oil Co. of Kan.-Ind.-Ky.	.....	.....	.....	2,100.00	.....	20,240.00	28,759.38
" " " " California	.....	.....	.....	6,222.50	5,552.50	5,522.50	5,522.50
Forward	82,036.52	122,574.72	223,672.04	556,376.16	510,537.62	98,102.27	193,844.07

SCHEDULE 2

Cecille B. DeMille Productions, Inc.

STOCKS AND BONDS

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	21/31/29
Stocks							
Brought Forward	$82,036:52	122,574.72	223,672.04	556,376.16	510,537.62	98,102.27	193,844.07
Alaska Juneau						13,687.50	
Steroscopic Camera Co.				2,000.00	2,000.00		
Tidewater Assoc. Oil Co.				9,750.00			
Wire Wheel Corp.						3,222.50	
United Verde Extension				5,847.50	5,847.50		
California Funding Co.					1,000.00	1,000.00	1,000.00
B. H. Dyas Corp.					10,000.00	10,000.00	10,000.00
Fairways, Inc.					5,000.00	5,500.00	
New Monte Cristo Min. Co.					2,000.00		
Pac. Mutual Life Ins. Co.					17,500.00	17,500.00	18,500.00
Pathe Exchange Inc.					65,000.00		
Salt River Valley Lands Inc.					29,875.68	29,272.49	29,303.42
United Bank & Tr. Co.					17,035.00		
Wesco Corp.					6,200.00		

SCHEDULE 2 (Cont.)

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	21/31/29
Richfield Oil Co.						4,907.50	6,476.25
Amer. Snuff						16,730.00	16,730.00
Am. Tel. & Tel.						19,411.70	19,411.70
Armour of Ill.						8,697.50	
Assoc. Realty Owners						1,000.00	1,000.00
Bank of America						20,475.00	13,650.00
Chandler Motor Co.						2,768.93	
Fleishman Yeast						8,660.00	
Otis Steel						13,322.00	9,874.50
Rio Grande						103,985.00	8,031.01
Transamerica						216,125.21	66,117.32
Canadian Pac. Co.						21,235.00	20,566.00
Claude Neon Elec. Prod.						7,190.00	10,238.80
Consolidated R. R. of Cuba						7,522.50	
Fokker Airplane						5,000.00	3,500.00
General Motors						19,480.00	3,820.00
Hudson Manhattan Ry Co.						14,634.30	
California Packing						7,810.00	
Owens Bottle						18,420.00	
Packard Motor Co.						29,510.00	

SCHEDULE 2 (Cont.)

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	21/31/29
Sinclare Oil Corp.						45,022.50	
U. S. Cast Iron						96,976.00	
Universal Consolidated						25,180.00	26,886.19
Inland Steel						7,197.50	7,197.50
St. Louis & S. W.						4,442.53	
Maddux Air Lines						11,000.00	
Merchants Nat'l Bank						24,035.00	
National Royalties Co.						5,000.00	5,000.00
Packard Motor Co.						9,260.00	9,260.00
So. Calif. Edison						5,160.00	5,410.00
So. Pac. Ry. Co.						12,025.00	12,025.00
Total Stocks	$82,036.52	122,574.72	223,672.04	573,973.66	671,995.80	970,467.93	497,841.76

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SCHEDULE 2 (Cont.)

Cecil B. DeMille Productions, Inc.

STOCKS AND BONDS

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	21/31/29
tocks (Cont'd)							
Brought forward	$82,036.52	122,574.72	223,672.04	573,973.66	671,995.80	970,467.93	497,841.76
American Smelt. & Ref.							11,150.00
Allegheny Corp.							5,035.00
Atchison-Topeka Santa Fe							26,240.00
Baltimore & Ohio							13,407.30
Bethlehem Steel							21,650.78
Chatham-Phenix All.							5,400.00
Chesapeake-Ohio							42,365.00
Chicago Rock Island							13,192.50
Erie R. R.							9,287.50
Federal Water Service							5,037.50
General Electric—England							3,338.00
Gruss Air Sprg. Corp.							5,000.00
Intercoast Trading							4,672.50
Lone Butte Farms							15,033.75
National Dairy Prod.							617.21
Pacific Finance							4,941.10
Penn. Ry.							17,437.50

SCHEDULE 2 (Cont.)

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Pere Marquette							16,330.00
Radio Corp. of Am.							17,945.00
Skelly Oil Co.							4,370.00
U. S. Steel							18,730.00
Western Pipe & Steel							15,000.00
Auburn Motors							51,592.50
Anaconda Copper							8,475.00
Bohn Aluminum							5,322.50
Borg Warner							13,705.20
Chrysler Motors							3,320.00
Fox Film							119,017.50
Missouri Pac.							2,293.42
New Haven							9,625.00
N. Y. Central							50.50
Norfolk & Western							25,240.00
St. Paul							4,020.00
Simmons Bed							13,232.50
Total Stocks	$82,036.52	122,547.72	223,672.04	573,973.66	671,995.80	970,467.93	1,029,916.52

SCHEDULE 2 (Cont.)

Cecil B. DeMille Productions, Inc.

STOCKS AND BONDS

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Bonds and Miscellaneous							
Sundry							13,478.18
Prudence Corp.	$ 3,000.00	3,000.00	3,000.00				
Republic of Bolivia	1,008.78	1,008.78	1,008.78	1,008.78	1,008.78	6,096.28	5,078.78
Grauman's Hollywood Theater	5,000.00	5,000.00					
City of Pasadena	2,021.20	2,021.20	2,021.20	2,021.20	2,021,20	2,021.20	2,021.20
Lankershim Syndicate		2,610.00	2,610.00	2,845.04		750.00	
N. E. Subdivision		400.00					250.00
Trustees Dev. Ass'n		2,000.00					
San Joaquin Oil Synd.		1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Navajo Oil Co.			1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Golden States Milk Co.				4,937.50	4,937.50	4,937.50	4,937.50
Harriman Bldg.				5,000.00	5,000.00	5,000.00	5,000.00
Hearst				8,080.00			
Key System Transit Co.				9,725.00	8,725.00	9,725.00	
Pan. Am. Oil Co.				4,975.00			
Strauss Am. Ins. Un. Bldg.				5,000.00	5,000.00	5,000.00	5,000.00
State of Cal. Harbors				4,931.25	4,931.25	4,931.25	4,931.25

SCHEDULE 2 (Cont.)

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Washington St. Improv.	.....	.....	.....	10,406.58	9,365.95	8,325.32	7,284.69
Kingdom of Italy	.....	.....	.....	4,587.50	.....	.....	.....
L. A. Electric Plant	.....	.....	.....	.....	5,352.97	5,352.97	5,352.97
Club Memberships	.....	.....	.....	.....	2,000.00	2,000.00	2,000.00
Atlantic Gulf	.....	.....	.....	.....	.....	3,897.50	3,897.50
C. M. & St. P. Ry.	.....	.....	.....	.....	.....	3,854.55	3,854.55
Int. Tel. & Tel.	.....	.....	.....	.....	.....	1,865.00	4,705.60
No. Am. Water Works	.....	.....	.....	.....	.....	9,850.00	9,850.00
Pac. Public Service	.....	.....	.....	.....	.....	4,937.50	.....
St. L. & S. F. Railway	.....	.....	.....	.....	.....	4,640.63	4,587.50
Beverly Hills Imp. Disct.	.....	.....	.....	.....	.....	5,333.34	5,333.34
L. A. Bridge—Viaduct	.....	.....	.....	.....	.....	10,152.78	10,152.78
U. S. Treas. Cert.	.....	.....	.....	.....	.....	4,987.50	5,007.81
Republic of Peru	.....	.....	.....	.....	.....	1,820.00	.....
Saxon Public Works	.....	.....	.....	.....	.....	5,020.00	5,020.00
National Royalties	.....	.....	.....	.....	.....	3,000.00	3,487.32
Total Bonds, etc.	$11,029.98	17,039.98	10,639.98	65,517.85	51,342.65	115,498.32	113,230.97
Stocks (Per Prev. Page)	82,036.52	122,574.72	223,672.04	573,973.66	671,995.80	970,467.93	1,029,916.52
Total Stocks and Bonds	$93,066.50	139,614.70	234,312.02	639,491.51	723,338.45	1,085,966.25	1,143,147.49

SCHEDULE 3

Cecil B. DeMille Productions, Inc.

REAL ESTATE

	12/31/23	12/31/24	12/31/25	12/31/26	12 31/27	12/31/28	12/31/29
Kingsley Drive	.....	.....	.....	.....	.....	.....	34,593.22
Highland Ave. ½ Int.	$28,500.01	28,500.01	28,607.72	28,607.72	70,451.65	70,569.25	70,569.25
Sunset Boulevard Int.	25,757.80	25,759.05	25,922.06	25,922.06	25,922.06	25,922.06	64,116.45
Hollywood Boulevard Int.	30,150.00	30,150.00	30,150.00	30,227.68	30,227.68	30,227.68	89,735.26
Sunset and Cahuenga 1/24th	2,583.35	7,583.35	7,621.41	7,621.41	7,621.41	7,640.16	.....
Vine Street 7/18th	26,444.45	26,703.82	26,770.92	26,770.92	26,770.92	22,104.25	22,239.05
Lankershim 9/40th	13,500.00	.....	.....	.....	.....	.....	.....
Laughlin Park	222,072.87	223,446.64	223,446.64	207,920.35	198,185.23	190,404.65	192,174.23
N. Est. Subdivision	8,000.00	.....	.....	.....	.....	.....	.....
Fernangeles Lots	.....	7,923.57	7,923.57	7,923.57	7,923.57	7,923.57	8,019.87
Ventura Boulevard	.....	2,468.51	6,303.66	5,185.99	3,203.99	3,203.99	3,203.99
Zens Ranch	.....	30,102.95	34,102.95	34,102.95	34,102.95	34,102.95	34,102.95
Wyatt Ranch	.....	22,014.02	25,014.02	25,014.02	25,014.02	26,423.90	33,802.75
Vine St. Theatre	.....	81,858.37	.....	.....	.....	.....	.....
Cereghino Ranch	.....	.....	5,020.50	5,020.50	5,020.50	5,020.50	5,020.50
Hunter Ranch	.....	.....	49,571.10	50,021.90	50,465.00	50,465.00	50,465.00

SCHEDULE 3 (Cont.)

	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Olmstead Ranch	.....	.....	30,022.00	30,022.00	30,022.00	30,022.00	30,022.00
Oakhurst Drive	.....	.....	.....	8,500.00	12,426.16	.....	.....
Observatory Ave.	.....	.....	.....	19,883.33	19,883.33	19,964.09	20,063.99
Wyckoff Land	.....	.....	.....	27,000.00	32,220.20	32,887.74	33,121.67
Craighurst	.....	.....	.....	.....	28,359.01	31,614.41	31,614.41
Ivar Ave.	.....	.....	.....	.....	.....	22,500.00	22,759.97
Royal Palms Apt.	.....	.....	.....	.....	.....	76,445.86	76,445.86
Veteran Ave.	.....	.....	.....	.....	.....	4,187.55	4,187.55
Total	$357,008.48	486,510.29	500,476.55	539,744.40	607,819.68	691,629.61	826,257.97

SCHEDULE 4

CECIL B. DEMILLE PRODUCTIONS, INC.

NOTES AND MORTGAGES

	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Adams, Ella K.	$ 2,000.00	500.00	.....	.....	.....	.....
Bancitaly (Bal. Due on Pur. of Stock)	.....	.....	.....	29,410.00	22,210.00	.....
Bank of Italy	21,250.00	18,750.00	13,750.00	72,500.00	55,000.00	200,000.00
Brown, Ira D.	7,500.00	6,000.00	4,500.00	3,000.00	1,500.00	.....
Beveridge, Ida	10,000.00	10,000.00				
Cereghino C. & M. L.	.....	3,500.00	3,500.00	3,500.00	.....	.....
DeMille, C. B.	45,000.00	.....	.....	.....	.....	83,000.00
Federal Tr. & Sav. Bank	.....	.....	10,000.00	10,000.00	10,000.00	20,000.00
Hunter, J. A.	.....	37,148.50	37,148.50	37,148.50	37,148.50	37,148.50
Lee, Don	.....	300.00				
Live Ins. Companies	.....	.....	.....	.....	24,690.00	33,090.00
Morgan Adams Inc.	19,444.45	19,444.45				
Olmstead, N. E.	.....	17,500.00	15,000.00	15,000.00	12,000.00	12,000.00
Norge Pac. Co.	.....	.....	.....	.....	.....	1,295.97
Pacific Mutual Life Ins. Co.	60,000.00	55,000.00	35,000.00	35,000.00	35,000.00	35,000.00
Royal Palms Mortgage	.....	.....	.....	.....	50,000.00	49,000.00
Sec. Tr. & Sav. Bank	.....	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Title Ins. & Trust Co.	15,000.00	.....				
Weinblatt, Jos.	21,000.00	.....	.....	.....	7,500.00	7,500.00
Wolfe, Ira L.	.....	.....	128,898.50	215,558.50	265,048.50	488,034.47

SCHEDULE 5

CECIL B. DEMILLE PRODUCTIONS, INC.

ACCOUNTS PAYABLE

	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29
Central Business Properties	$		18,750.00	17,500.00	17,500.00	
Consolidated Cleaners						125.00
Fernangeles Synd.				7,750.00		
Faye, Julia	1,700.00					
Karr, Cotton & Co.				718.76		
Krotona Hotel			3,750.00	3,750.00	3,750.00	
Los Angeles Home Builders, Inc.		600.00				
McCarthy, Neil S.	10,100.00					
Property Accounts (Accrued Exp.)	308.50	2,116.95	281.56	407.38	357.29	1,026.59
Runyan, Chas.			22.50	42.50		
Salt River Valley Land				309.07		
Weber, C. F. & Co.				500.00		
	$ 12,108.50	2,716.95	22,804.08	30,977.71	21,607.29	1,151.59

CECIL B. de MILLE PRODUCTIONS, INC.

PROFIT OR LOSS ON SALE OF SECURITIES

YEAR 1925

Sale of Capital Assets		
Stock		
Famous Players-Lasky—Gain		$ 7,796.64
L. A. Income Properties—Loss	$ 4,150.00	
Phoenix Corporation	1,107.66	5,257.66
		$ 2,538.98

YEAR 1926

Stock and Bond Transactions		
Prudence Corporation Bonds		
Sold 3 M for	3,090.00	
Cost	3,000.00	90.00
Bancitaly		
Sold 500 shares for	39,383.75	
Cost	34,550.00	4,833.75
Julian Petroleum Corporation		
Sold 4,000 shares for	81,531.25	
Cost	61,375.00	20,156.25
Gross Profit		25,080.00

Bank of Italy			
Margin Account loss		252.00	
E. F. Hutton Co.			
Margin Credit	1,829.27		
Margin Debit	1,718.01	111.26	
Loss on Margin		363.26	
Inter-Continental Rubber			
500 shares cost	7,112.50		
Sold for	6,867.50	245.00	
Less Losses			608.26
Net Profit			$24,471.74

YEAR 1927

Sales—Stocks				
Bancitaly	Gain			27,506.49
Bank of Italy	"			14,236.80
First National Bank	"			1,644.50
United Bank & Tr. Co.	"			2,579.50
Pathe Margin at Denver	"			3,575.95
				49,543.24
Barneson & Co.	Loss		2,295.78	
Calif. Petroleum Co.	"		917.00	
Happiness Candy Founders	"		1,540.00	
Hutton & Co.	"		37,327.33	
Klag Bay Mining Co.	"		3,000.00	
Standard Oil Co. of Calif.	"		774.00	
" Kansas	"		386.35	
Tide Water Asso. Oil			1,026.50	47,266.96
Net Profit on Stock Sales				2,276.28

Forward		2,276.28	
Sales—Bonds			
Pan American Loss	287.50		
Kingdom of Italy	177.50		
Net Loss on Bond Sales		110.00	
Net Gain on Sales of Securities			2,166.28
NOTE: Dividends received on Margin a/c were credited to Dividends as follows:			
Hutton & Co.	3,787.50		
Barneson & Co.	1,000.00		
	4,787.50		
Interest received on Hutton & Co. was credited to Int. Rec.	91.83		
	4,879.33		
Sundry adjustments were charged to the accounts $1.25 & $.25	1.50		
	4,877.83		
Addl. cr. due to stock sales which added to net profit above	2,276.28		
Total Profit due Stock Trans.	7,154.11		

YEAR 1928

		No. Shs.	Cost	Sale	Loss	Profit
Profit on Sale of Stocks and Bonds						
H. J. Barneson & Company—Margin a/c:						
Nov. 2	Chandler Motors	200	5,537.86	4,672.00	865.86	
26	"	400	11,075.71	11,894.00		818.29
July 19	Interl. Nickle	100	8,847.50	9,276.50		429.00
Apr. 23	Merchants Natl. Bank	100	16,975.00	19,014.50		2,039.50
Oct. 3	Otis Steel	100	2,372.50	2,886.00		513.50
Sept. 17	Rio Grande	400	31,290.00	36,858.00		5,568.00
Oct. 3	Studebaker Motors	100	7,972.50	7,923.50	49.00	
Oct. 31	Universal Lf. Tob.	100	8,010.00	8,073.50		63.50
Aug. 29	Victor Talking Mch.	100	9,510.00	10,671.00		1,161.00
Nov. 22	"	100	12,880.00	13,466.00		586.00
Sept. 27	Wm. Wrigley	100	8,372.50	7,273.50	1,099.00	
	Int. for 12 months		1,234.15		1,234.15	
	Totals		124,077.72	132,008.50	3,248.01	11,178.79
	Less loss					3,248.01
	Profit on Marginal Transactions					7,930.78
Aug. 31	Pathe Ex. Del. for Sale	5700	2,831.79	37,409.50		34,577.71
Sept. 30	"	4500	2,235.63	32,682.50		30,446.87
	Gain on Stock Del. for Sale		5,067.42	70,092.00		65,024.58
	Gain on Marginal Transactions					7,930.78
	Net Gain on account of Barneson sales					72,955.36

SCHEDULE 6 (3)

		No. Shs.	Cost	Sale	Loss	Profit
Wilcox-Drake & Co.—Margin a/c						
Sept. 13	National Cash Reg.	500	43,425.00	44,617.50	.....	1,192.50
Oct. 31	Southern Calif. Ed.	200	10,155.00	9,601.48	553.52	.....
Nov. 1	"	150	7,616.25	7,211.74	404.51	.....
Nov. 5	"	150	7,616.25	7,333.98	282.27	.....
	Int. for 12 months		97.71	.....	97.71	.....
	Totals		68,910.21	68,764.70	1,338.01	1,192.50
	Less Gain				1,192.50	
	Net Loss on marginal transactions				145.51	
Hutton & Co.—Margin a/c						
July 9	Alaska Juneau	300	1,500.00	936.30	563.70	.....
9	"	200	1,000.00	624.20	375.80	.....
10	"	200	1,000.00	724.20	275.80	.....
11	"	200	1,000.00	674.20	325.00	.....
Oct. 12	"	1000	6,137.50	8,971.00	.....	2,833.50
May 25	Allis Chalmers	100	12,325.00	12,731.00	.....	46.00
25	American Can Co.	100	9,047.50	9,164.00	.....	116.50
Sept. 25	"	200	22,025.00	21,248.00	777.00	.....

		No. Shs.	Cost	Sale	Loss	Profit
July 11	American Smelting	100	19,130.00	18,816.00	314.00	
June 19	American Steel Fdry.	100	6,267.50	5,173.50	1,094.00	
July 11	"	100	6,267.50	5,248.50	1,019.00	
14	"	300	18,802.50	15,620.50	3,183.00	
May 25	American Tel. & Teleg.	100	19,092.50	20,161.00		268.50
June 19	"	100	20,135.00	17,578.50	2,556.50	
Apr. 23	Anaconda Copper	500	34,612.50	33,940.00	672.50	
June 19	"	100	6,585.00	6,250.00	334.50	
Sept. 7	"	200	14,645.00	14,976.00		331.00
Aug. 30	Armour Packing Co.	200	4,220.00	4,153.00	67.00	
Apr. 5	Atlantic Gulf & Wi.	400	14,977.50	15,956.50		979.00
9	"	100	4,222.50	4,586.00		363.50
July 11	Bancitaly	100	14,492.50	11,699.00	2,793.50	
11	"	100	14,492.50	11,474.00	3,018.50	
13	"	300	43,477.50	33,398.25	10,079.25	
Sept. 17	Barnsdale Oil	500	15,737.50	17,470.00		1,732.50
Dec. 7	Bethlehem Steel	500	41,362.50	37,430.00	3,932.50	
10	"	100	7,535.00	7,773.50		238.50
10	"	100	7,535.00	7,573.50		38.50
10	"	100	7,535.00	7,473.50	61.50	

		No. Shs.	Cost	Sale	Loss	Profit
10	"	200	15,070.00	15,047.00	23.00	
26	"	200	16,045.00	16,947.00		902.00
July 18	Bucyrus Erie	100	4,360.00	4,427.30		67.30
19	Canadian Pac. Ry.	100	21,322.50	19,566.00	1,756.50	
Aug. 21	Chicago & Rock Is.	100	11,225.00	12,358.50		1,133.50
Oct. 13	Chrysler Motors	100	13,280.00	13,091.00	189.00	
Nov. 2	Columbia Graphaphone	200	11,632.50	12,704.80		1,072.30
Aug. 21	Continental Can	200	22,825.00	23,167.00		342.00
Feb. 7	Cudahy Packing Co.	100	5,710.00	6,575.50		865.50
June 1	Eaton Axle	100	4,060.00	3,973.50	86.50	
Apr. 14	Electric Storage Bat.	100	7,785.00	8,073.50		288.50
July 10	Famous Players Lasky	300	37,547.50	38,898.00		1,350.50
Apr. 17	General Motors	500	75,150.00	94,670.00		19,520.00
18	"	500	97,150.00	96,057.50	1,092.50	
May 4	"	400	76,545.00	79,276.00		2,731.00
29	"	100	18,780.00	19,006.50		226.50
			814,447.50	815,303.75	34,590.35	35,446.60

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		No. Shs.	Cost	Sale	Loss	Profit
	Brought Forward		814,447.50	815,303.75	34,590.35	35,446.60
Sept. 16	General Motors	300	61,942.50	62,542.00		599.50
18	"	100	20,647.50	20,876.50		229.00
18	"	100	19,580.00	20,864.00		1,284.00
29	"	200	42,445.00	43,228.00		783.00
Oct. 10	"	100	21,222.50	21,814.00		591.50
18	"	100	21,860.00	22,164.00		304.00
27	"	100	21,885.00	22,064.00		179,00
Nov. 13	"	300	66,942.50	65,142.00	1,800.50	
Sept. 14	Gulf Mobile	100	10,625.00	10,071.00	554.00	
Apr. 26	Hudson Motors	500	41,850.00	41,992.50		142.50
May 24	"	500	45,712.50	43,742.50	1,970.00	
Aug. 15	"	100	7,860.00	7,948.50		88.50
Oct. 10	"	200	18,345.00	18,697.00		352.00
18	"	200	18,245.00	18,547.00		302.00
29	"	100	8,597.50	8,623.50		26.00
May 25	Interl. Comb. Eng.	800	49,742.50	46,388.00	3,354.50	
Sept. 22	"	300	20,392.50	20,958.00		565.50
Oct. 30	"	500	35,012.50	33,717.50	1,295.00	
Nov. 17	"	200	13,320.00	14,247.00		927.00
June 19	Interl. Nickle	100	9,722.50	9,639.00	83.50	
May 25	Keith Albee	800	15,780.00	16,038.00		258.00
July 5	"	200	4,432.50	3,872.00	560.50	

		No. Shs.	Cost	Sale	Lost	Profit
Aug. 21	"	100	8,072.50	7,973.50	99.00	
July 13	Kresge	100	7,572.50	6,927.10	645.40	
Aug. 31	Loose Wiles	200	15,095.00	15,353.00		258.00
Oct. 30	"	100	7,960.00	7,189.00	771.00	
Nov. 1	"	100	7,960.00	6,976.50	983.50	
Apr. 25	Mexican Seaboard	500	10,550.00	15,367.50		4,817.50
May 25	"	500	16,637.50	16,380.00	257.50	
June 28	"	5000R	3,750.00	600.75	3,149.25	
Aug. 29	"	200	5,870.00	5,797.00	73.00	
Sept. 24	"	100	3,135.00	3,198.50		63.50
June 19	Missouri Pacific	100	5,985.00	5,623.50	361.50	
Dec. 13	Packard Motors	200	29,860.00	30,839.20		979.20
13	"	100	14,530.00	15,469.60		939.60
Apr. 20	Radio Corp. of America	300	49,190.00	54,798.00		5,608.00
Dec. 10	"	100	29,340.00	28,956.00	384.00	
May 18	Richfield Oil	600	27,035.00	30,196.50		3,161.50
25	"	300	15,617.50	14,479.50	1,138.00	
June 19	"	1000	49,975.00	38,977.50	10,997.50	
Sept. 25	"	200	9,545.00	9,853.00		308.00
Oct. 12	"	1000	50,975.00	54,015.00		3,040.00
30	"	1000	50,975.00	47,765.00	3,210.00	
Dec. 10	"	200	9,795.00	8,853.00	942.00	
11	"	200	9,795.00	9,153.00	642.00	
11	"	100	4,897.50	4,676.50	221.00	

		No. Shs.	Cost	Sale	Loss	Profit
Oct. 19	Republic Pet. Corp.	1000	1,245.00	1,229.80	15.20	
20	Schultz Stores	100	5,786.05	5,248.50	537.55	
12	Sinclair Oil	200	8,620.00	8,822.00		202.00
Nov. 1	"	500	22,350.00	22,192.50	157.50	
13	"	100	8,720.00	9,097.00		377.00
Dec. 7	"	1000	45,225.00	40,735.00	4,490.00	
			1,926,673.55	1,915,222.70	73,283.25	61,832.40

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	Brought Forward		1,926,673.55	1,915,222.70	73,283.25	61,832.40
Nov. 22	Telautograph	1000	22,153.50	17,985.00	4,168.50	
Dec. 7	Texas Pacific	500	10,175.00	9,948.00	227.00	
10	"	500	12,825.00	8,848.00	3,977.00	
Feb. 14	Tidewater Oil	1000	17,162.50	14,997.50	2,165.00	
Sept. 28	Union Carbide	100	18,930.00	18,466.00	464.00	
Dec. 7	U. S. Cast Iron Pipe	100	5,104.00	4,176.70	927.30	
10	"	100	5,104.00	3,876.70	1,227.30	
10	"	100	5,104.00	3,926.70	1,177.30	
10	"	200	10,208.00	7,728.40	2,479.60	
10	"	200	10,208.00	7,703.40	2,504.60	
10	"	100	5,104.00	3,876.70	1,227.30	

		No. Shs.	Cost	Sale	Loss	Profit
10	"	200	10,208.00	7,703.40	2,504.60	
10	"	300	15,312.00	11,630.10	3,681.90	
10	"	100	5,104.00	3,876.70	1,227.30	
10	"	100	5,104.00	4,076.70	1,027.30	
10	"	100	5,104.00	3,976.70	1,127.30	
10	"	200	10,208.00	7,853.40	2,354.60	
10	"	100	5,104.00	3,976.70	1,127.30	
11	"	100	5,104.00	4,076.70	1,027.30	
24	"	100	5,104.00	4,076.70	1,027.30	
24	"	200	10,208.00	8,153.40	2,054.60	
24	"	200	10,208.00	7,953.40	2,254.60	
24	"	100	5,104.00	3,976.70	1,127.30	
24	"	100	5,104.00	3,876.70	1,227.30	
24	"	200	10,208.00	8,853.40	1,354.60	
24	"	200	10,208.00	8,703.40	1,504.60	
Apr. 11	U. S. Sul. Corp.	100	14,880.00	14,866.00	14.00	
Juyl 25	Warner Bros.	100	6,085.00	6,202.10		117.10
May 4	Westinghouse Elec.	100	10,400.00	10,723.00		323.00
Nov. 16	"	200	22,464.90	25,086.00		2,621.10
	Interest on a/c for 12 mos.		15,970.82		15,970.82	
	Totals		2,235,944.27	2,166,397.00	134,440.87	64,893.60
	Less Profits				64,893.60	
	Loss on Marginal transactions				69,547.27	

		No. Shs.	Cost	Sale	Loss	Profit
May 31	Pathe Exch. Del. for sale	10,600	18,775.72	66,901.90		48,126.18
June 30	"	2,800	2,028.87	18,547.84		16,518.97
July 31	"	1,600	794.89	7,336.00		6,541.11
Aug. 31	"	23,400	11,625.25	143,117.40		131,492.15
Sept. 30	"	51,300	25,486.13	350,515.50		325,029.37
Oct. 30	"	3,843	1,909.22	24,791.90		22,882.68
Apr. 19	United Verde	200	5,847.50	3,754.92	2,092.58	
	Totals		66,467.58	614,965.46	2,092.58	550,590.46
	Less Loss					2,092.58
	Total Gain on Stock Delivered for Sale					548,497.88
	Less Loss on Marginal Transactions					69,547.27
	Net Gain on account of Hutton sales					478,950.61

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King—Spcl. Margin a/c
Wilcox-Drake & Co.

Oct. 25	American Can	100	10,800.00	10,974.00		174.00
Nov. 21	American Water Works	100	6,122.50	6,423.50		301.00
Oct. 22	Barnsdale Oil	100	4,160.00	4,402.00		242.00
Dec. 7	Fleishman Yeast	50	4,287.50	3,985.50	302.00	

		No. Shs.	Cost	Sale	Loss	Profit
Nov. 23	General Asphalt	50	3,843.75	3,879.25		35.50
Nov. 7	Hudson Motors	100	8,422.50	8,386.00	36.50	
14	"	100	8,347.50	8,073.50	274.00	
Oct. 29	Hupmobile Motor	100	7,447.50	7,402.10	45.40	
29	"	100	7,322.50	7,127.10	195.40	
Dec. 10	Interl. Comb. Eng.	100	6,972.50	6,783.50	99.00	
11	"	100	6,735.00	6,223.50	511.50	
Oct. 16	Mexican Seaboard	100	3,172.50	3,886.00		713.50
25	"	100	3,597.50	3,761.00		163.50
Nov. 7	"	100	3,810.00	3,948.50		138.50
7	No. American Can	100	7,422.50	7,598.50		176.00
19	Pan-American	100	5,497.50	5,475.50	22.00	
23	Remington Rand	100	2,772.50	2,798.50		26.00
7	Richfield Oil Co.	100	4,947.50	5,076.50		129.00
19	"	100	5,522.50	5,251.50	271.00	
14	Sears & Roebuck Co.	100	16,130.00	17,666.00		1,536.00
28	St. Louis & SW	50	6,056.25	6,116.75		60.50
Dec. 11	St. Joseph Lead	200	9,945.00	9,754.20	190.80	
10	Union Oil Co.	100	5,622.50	5,089.00	533.50	
Oct. 25	U. S. Steel Corp.	100	15,905.00	16,466.00		561.00
Dec. 7	"	100	16,605.00	15,816.00	789.00	
Nov. 30	White Motors	50	1,961.25	2,067.75		106.50

		No. Shs.	Cost	Sale	Lost	Profit
Hutton & Co.						
Dec. 26	Bethlehem Steel	50	4,131.25	4,129.25	2.00	
24	Hudson Motors	50	4,212.50	4,279.25		66.75
24	Julius Kayser	50	4,062.50	4,085.50		23.00
20	Sinclair Cons.	100	3,685.00	3,886.00		201.00
20	U. S. Steel Corp.	50	7,615.00	7,764.25		149.25
24	White Motors	50	1,961.25	1,905.25	56.00	
Oct. 31	Commissions		378.53		378.53	
Nov. 30	"		477.03		477.03	
Dec. 31	Interest for 3 mo.		191.75		191.75	
Dec. 31	Div. Pan-American			50.00		50.00
Dec. 31	Div. White Motors			12.50		12.50
			210,143.56	210,633.65	4,375.41	4,865.50
	Less Loss on Margin Account					4,375.41
						490.09
Dec. 31	Gladys Rosson		61.26		61.26	
31	A. G. King		61.26		61.26	
	Division of Profits		210,266.08			122.52
	Net Gain on Margin—A. G. King Special a/c					367.57

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		No. Shs.	Cost	Sale	Loss	Profit
Delivered for sale						
Feb. 21	Bancitaly	100	7,807.29	17,964.50		10,157.21
Mar. 24	"	100	7,807.30	19,564.50		11,757.20
May 1	"	100	5,134.34	21,964.00		16,829.66
Jan. 23	Bank of Italy (1927)			150.00		150.00
29	"	100	9,777.44	28,664.50		18,887.06
Mar. 7	"	100	9,777.44	29,339.50		19,562.06
July	Consolidated Royalties	300	3,000.35	1,873.80	1,126.55	
Dec. 29	Elias Katz Shoe	90	6,156.81	90.00	6,066.81	
Nov. 19	First Nat. Bank—St. Paul	50	18,750.00	18,998.00		248.00
Dec. 29	General Motors	100	22,085.00	19,469.00	2,616.00	
	Marino Pkg. & R. Co.	83	8,215.00	10.00	8,205.00	
	New Monte Cristo	2000	2,000.00	2.00	1,998.00	
	Stereoscopic Camera	6000	2,000.00	5.00	1,995.00	
July 11	United Bank & Tr. Co.	100	17,035.00	18,589.50		1,554.50
Mar. 7	Wesco Corp.	200	6,200.00	10,800.00		4,600.00
Dec. 14	Republic Bolivia	7M	6,825.00	6,350.60	474.40	
	Totals		132,570.97	193,833.90	22,481.76	83,745.69
	Hutton & Co. delivered		66,467.58	614,965.46	2,092.58	550,590.46
	Barneson & Co. "		5,067.42	70,092.00		65,024.58
	Totals		204,105.97	878,892.36	24,574.34	699,360.73

	No. Shs.	Cost	Sale	Loss	Profit
Liquidating Dividends					
Producers International			1,000.00		1,000.00
"			600.00		600.00
"			600.00		600.00
"			600.00		600.00
Totals			2,800.00		2,800.00
RECAPITULATION					
Marginal Transactions					
E. F. Hutton & Co.		2,235,944.27	2,166,397.00	69,547.27	
H. J. Barneson & Co.		124,077.72	132,008.50		7,930.78
Wilcox Drake & Co.		68,910.21	68,764.70	145.51	
A. G. King, Special		210,266.08	210,633.65		367.57
Totals		2,639,198.28	2,577,803.85	69,692.78	8,298.35
Delivered Sales		204,105.97	878,892.36	24,574.34	699,360.73
Liquidating Dividends			2,800.00		2,800.00
		2,843,304.25	3,459,496.21	94,267.12	710,459.08
			2,843,304.25		94,267.12
Net Gain on sale of stocks and bonds			616,191.96		616,191.96
NOTE: The Dividends received on the Margin a/c's aggregate					13,702.50

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
100	Anaconda Copper	12,930.00	14,040.35	—	1,110.35	—
100	Armour & Co.	8,697.50	7,073.50	1,624.00	—	
100	Beth. Steel Corp.	10,825.00	13,575.90	—	2,750.90	
100	Canadian Pacific	21,235.00	22,556.50	—	1,321.50	
100	City Service	6,350.00	2,887.90	3,462.10	—	
35	Claude Neon	700.00	892.50	—	192.50	
85	"	71.20	4,992.05	—	4,920.85	
100	Commercial Solvents	23,335.00	36,446.00	—	13,111.00	
100	Cons. RR of Cuba	7,522.50	6,984.65	537.85	—	
82½	Fairways, Inc.	5,500.00	2,000.00	3,500.00	—	
150	Fokker Aircraft Corp.	1,500.00	1,800.00	—	300.00	
1000	Fox Theatre	36,150.00	23,947.50	12,202.50	—	
1000	"	36,150.00	24,072.50	12,077.50	—	
500	"	18,075.00	13,630.00	4,445.00	—	
1000	"	36,150.00	10,660.00	25,490.00	—	
1500	"	54,225.00	15,990.00	38,235.00	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
300	General Motors .	23,423.75	21,526.90	1,896.85	—	
100	Hudson & Manhattan	8,711.80	7,472.10	1,239.70	—	
100	"	5,922.50	4,910.05	1,012.45	—	
500	Interstate Equities	8,500.00	7,417.50	1,082.50	—	
1000	Maddux Air Lines .	11,000.00	12,030.00	—	1,030.00	
100	Merchants Nat. Bank	24,035.00	24,799.48	—	764.48	
100	Nat. Cash Register	12,630.00	12,563.35	66.65	—	
100	Nash Motors	10,425.00	8,619.26	1,805.74	—	
102	Natl. Dairy Prods.	8,207.17	8,239.44	—	32.27	
100	N. Y. Central RR	24,135.00	16,616.00	7,519.00	—	
200	Northern Pacific	14,795.00	20,327.95	—	5,532.95	
100	Northern Pipe	6,222.50	5,750.50	472.00	—	
100	Owens Bottle	9,210.00	7,772.44	1,437.56	—	
50	Pacific Indemnity	5,000.00	11,232.00	—	6,232.00	
400	Pioneer Pacific Wor.	13,000.00	worthless	13,000.00	—	
100	Richfield Oil Co.	2,453.75	2,425.00	28.75	—	
100	Transamerica	5,124.47	13,252.00	—	8,127.53	

SCHEDULE 6

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
100	"	5,166.46	13,327.00	—	8,160.54	
100	"	5,124.47	13,283.50	—	8,159.03	
100	"	5,124.47	13,283.50	—	8,159.03	
100	"	5,073.73	13,416.30	—	8,342.57	
100	"	5,366.53	13,569.00	—	10,202.47	
100	"	5,366.53	15,394.49	—	10,027.96	
50	"	2,632.48	7,697.25	—	5,064.77	
100	"	5,366.53	15,381.50	—	10,014.97	
100	"	5,366.53	15,331.50	—	9,964.97	
100	"	2,126.36	15,878.30	—	13,751.94	
800	"	17,002.84	49,816.00	—	32,813.16	
700	"	13,926.54	43,589.00	—	29,662.46	
151½	"	3,180.45	—	3,180.45	—	
100	U. S. Steel	18,730.00	19,599.30	—	869.30	
	Forward	571,766.06	638,069.96	134,315.60	200,619.50	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
	Brot. forward	571,766.06	638,069.96	134,315.60	200,619.50	
100	U. S. Smelt & Refg.	5,722.50	5,175.50	547.00	—	
100	Wire Wheel Corp.	3,222.50	2,972.95	249.55	—	
10M	Key System Transit	9,725.00	8,700.00	1,025.00	—	
10M	Pacific Public Serv.	9,862.50	11,612.50	—	1,750.00	
5M	U. S. Treasury Cert.	4,987.50	5,000.00	—	12.50	
1M	Republic of Bolivia	1,017.50	940.00	77.50	—	
2M	Republic of Peru	1,820.00	1,680.00	140.00	—	
		608,123.56	674,150.91	136,354.65	202,382.00	
			608,123.56		136,354.65	
			66,027.35		66,027.35	66,027.35

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Barneson—Margin a/c						
Jan						
100	Chandler Motors	2,768.93	3,823.50	—	1,054.57	
100	Otis Steel	3,447.50	4,173.50	—	726.00	
400	Rio Grande	68,940.00	76,657.50	—	7,717.50	
500	Transamerica	64,087.50	65,322.50	—	1,235.00	
	Interest	428.55	—	428.55	—	
Feb						
100	Fleishman	8,660.00	7,411.00	1,249.00	—	
100	Rio Grande	17,235.00	19,971.50	—	2,736.50	
100	Anaconda Copper	13,355.00	13,093.00	262.00	—	
	Interest	21.50	—	21.50	—	
Mar						
200	Continental Oil	4,970.00	5,054.20	—	84.20	
	Interest	57.85	—	57.85	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Apr						
100	Columbia Graph.	7,110.00	7,974.88	—	864.88	
	Interest	92.82	—	92.82	—	
May						
200	Otis Steel	8,132.50	8,752.00	—	619.50	
100	Amer. & For. Power	11,405.00	10,566.00	839.00	—	
	Interest	100.36	—	100.36	—	
Jun						
100	Rio Grande	5,222.50	2,728.00	1,494.50	—	
	Interest	59.26	—	59.26	—	
Jul						
	Interest	52.63	—	52.63	—	
Aug						
100	Rio Grande	4,222.50	2,851.00	1,371.50	—	
100	Columbia Phono.	6,860.02	6,427.38	432.64	—	
	Interest	82.74	—	82.74	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Sep						
100	United Aircraft	13,630.00	12,778.50	851.50	—	
	Interest	24.86	—	24.86	—	
		239,967.02	247,584.46	6,420.71	15,038.15	
			239,967.02		7,420.71	
	Net Gain Barneson a/c		7,617.44		7,617.44	7,617.44
	Forward					73,644.79
						[600]
	Brot. forward					73,644.79
Hutton—Margin a/c AGK						
Jan						
50	St. Louis & Southwest	$ 6,056.25	5,141.75	914.50	—	
100	Gardner Motors	1,735.00	1,877.30	—	142.30	
100	Montgomery Ward	14,317.50	14,341.00	—	23.50	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
100	Mack Truck	10,750.00	11,221.00	—	471.00	
100	Texas Gulf	7,835.00	7,661.00	174.00	—	
50	Loose Wiles	3,275.00	3,193.23	81.77	—	
	Interest	38.25	—	38.25	—	
Feb						
100	Consolidated Gas	6,560.00	6,636.00	—	76.00	
100	General Motors	8,410.00	8,077.10	332.90	—	
	Interest	16.61	—	16.61	—	
Blythe & Co.—AGK						
Feb						
300	Krueger & Toll	12,592.50	13,057.50	—	465.00	
	Interest	19.71	—	19.71	—	
Mar						
300	Park Utah	4,080.00	3,532.38	547.62	—	
200	Barnsdale	8,645.00	8,903.00	—	258.00	
300	Rio Grande	11,817.50	11,628.00	189.50	—	
	Interest	52.84	—	52.84	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Apr						
300	Skelly Oil	12,285.00	13,512.00	—	1,227.00	
	Interest	78.91	—	78.91	—	
May						
	Sale of rights	—	157.30	—	157.30	
	Division of profits—					
	Gladys Rosson	46.69	—	46.69	—	
	A. G. King	46.68	—	46.68	—	
		108,658.44	108,938.56	2,539.98	2,820.10	
			108,658.44	—	2,539.98	
	Net Gain on joint a/c		280.12		280.12	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Blythe & Co.—Gen. Margin a/c						
Mar						
	Interest	17.84	—	17.84	—	
Apr						
200	Rio Grande	8,370.00	7,927.00	443.00	—	
100	Pacific Western Oil	2,067.50	1,930.50	137.00	—	
500	Skelly Oil	20,725.00	22,582.50	—	1,857.50	
500	Elec. Power & Light	31,987.50	32,891.18	—	903.68	
	Interest	232.25	—	232.25	—	
May						
307½	Rio Grande	12,517.50	11,144.93	1,372.57	—	
900	Pacific Western Oil	18,982.50	19,119.50	—	137.00	
	Interest	407.04	—	407.04	—	
	Forward	$ 95,307.13	95,595.61	2,609.70	2,898.18	73,924.91

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SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
	Brot. Forward	$ 95,307.13	95,595.61	2,609.70	2,898.18	73,924.91
Blythe & Co.—continued						
Jun						
500	Skelly Oil	21,750.00	19,395.00	2,355.00	—	
200	Pan American	12,795.00	12,351.00	444.00	—	
200	Anaconda Copper	20,760.00	20,823.50	—	63.50	
100	Anaconda Copper	10,305.00	10,705.50	—	400.50	
	Interest	167.33	—	167.33	—	
Jul						
300	Pan American	19,230.00	18,676.50	553.50	—	
200	United Corp.	14,557.50	14,122.00	435.50	—	
100	Columbia Graph	6,572.50	6,239.88	332.62	—	
200	Krueger & Toll	8,340.00	8,047.50	292.50	—	
	Interest	158.23	—	158.23	—	
Aug						
100	General Motors	8,425.00	7,364.60	1,060.40	—	
100	General Motors	7,022.50	6,889.60	132.90	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
100	Lambert	14,530.00	14,066.00	464.00	—	
100	Columbia Graph.	6,572.50	6,427.38	145.12	—	
200	Radio Corp.	17,225.00	17,742.00	—	517.00	
100	Columbia Gas & Elec.	9,312.50	9,371.00	—	58.50	
100	Intl. Tel. & Tel.	11,255.00	11,741.00	—	486.00	
200	Yellow Truck	7,615.00	7,259.20	355.80	—	
300	"	11,610.00	10,738.80	871.20	—	
100	Natl. Cash Reg.	12,830.00	12,241.00	589.00	—	
	Interest	315.10	—	315.18	—	
Sep						
	Interest	223.72	—	223.72	—	
Oct						
100	American Can	17,880.00	17,869.00	11,00	—	
	Interest	118.66	—	118.66	—	
Nov						
1½	Murray Body	—	28.30	—	28.30	
		334,877.75	327,694.37	11,635.36	4,451.98	
		327,694.37		4,451.98		
	Net loss on Blythe Co.	7,183.38		7,183.38		

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Blyth & Co. Spl. Margin a/c						
Apr						
100	Mexican Seaboard	5,447.50	5,523.50	—	76.00	
	Interest	63.12	—	63.12	—	
May						
500	Richfield Oil	22,975.00	23,395.00	—	420.00	
	Interest	150.60	—	150.60	—	
Jun						
200	Freeport Texas	9,340.00	9,252.00	88.00	—	
	Interest	47.38	—	47.38	—	
	Forward	$ 38,023.60	38,170.50	349.10	496.00	66,741.53

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SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
	Brot. forward	38,023.60	38,170.50	349.10	496.00	66,741.53
Blythe & Co. Spl. Margin (continued)						
Jul						
200	Mexican Seaboard	10,845.00	7,802.00	3,043.00	—	
200	" " rites	1,600.00	1,979.25	—	379.25	
100	Bendix Aviation	9,487.50	9,721.00	—	233.50	
200	Utilities Pr & Lite	9,890.00	10,447.00	—	557.00	
100	Radio Corp	8,612.50	8,808.50	—	196.00	
100	Columbia Graph	6,697.50	6,239.88	457.62	—	
200	Krueger & Toll	8,340.00	8,010.00	330.00	—	
	Interest	41.45	—	41.45	—	
Aug						
50	Worthington Pump	3,293.75	3,773.00	—	479.25	
100	Columbia Graph.	6,697.50	6,427.38	270.12	—	
100	" Gas & Elec	9,312.50	9,371.00	—	58.50	
200	Yellow Truck	7,615.00	7,259.20	355.80	—	
	Interest	22.31	—	22.31	—	
		120,478.61	118,008.71	4,869.40	2,399.50	
		118,008.71		2,399.50	—	
	Net Loss on Blyth & Co.	2,469.90		2,469.90		(2,469.90)

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Hutton & Co. Margin a/c						
Jan						
100	Owens Bottle	9,210.00	9,301.50	—	91.50	
200	Packard Motors	29,510.00	30,189.20	—	679.20	
100	Rio Grande	17,810.00	17,867.50	—	57.50	
200	Cast Iron Pipe	10,208.00	9,253.40	954.60	—	
500	Gardner Motors	8,437.50	9,761.50	—	1,324.00	
100	National Cash Reg.	10,212.50	11,871.00	—	1,658.50	
200	Packard Motors	29,610.00	29,289.20	320.80	—	
100	"	14,530.00	14,569.60	—	39.60	
100	"	14,342.50	14,569.60	—	227.10	
	Insurance	1.00	—	1.00	—	
100	Packard Motors	14,130.00	14,644.60	—	514.60	
100	Radio Corp	36,200.00	36,646.00	—	446.00	
	Insurance	3.80	—	3.80	—	
	Interest	1,181.58	—	1,181.58	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Feb						
10	Owens Bottle	—	933.63	—	933.63	
200	Cast Iron Pipe	10,208.00	8,703.40	1,504.60	—	
100	Radio Corp.	36,450.00	38,446.00	—	1,996.00	
100	Canadian Pac.	24,635.00	24,936.00	—	301.00	
900	Cast Iron Pipe	45,936.00	38,290.30	7,645.70	—	
100	Loews, Inc.	7,622.50	7,873.50	—	251.00	
300	"	22,717.50	26,097.50	—	3,380.00	
100	Radio Corp.	35,850.00	39,146.00	—	3,296.00	
	Forward	578,805.88	382,389.43	11,612.08	15,195.63	64,271.63
						[603]
	Brot. forward	378,805.88	382,389.43	11,612.08	15,195.63	64,271.65
Hutton & Co. Margin—continued						
Feb						
100	Radio Corp.	39,175.00	39,146.00	29.00	—	
	Interest	1,211.03	—	1,211.03	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Mar						
2000	Alaska Juneau	13,687.50	17,742.00	—	4,054.50	
100	Sinclair Oil	3,797.50	3,923.50	—	126.00	
100	Hiram Walker	8,510.00	8,086.00	424.00	—	
100	Interl. Cement	9,472.50	9,673.50	—	201.00	
100	Natl. Dairy Prods	13,030.00	13,255.50	—	223.50	
100	Simmons Bed	10,075.00	9,886.00	189.00	—	
100	Continental Can	6,972.50	7,373.50	—	401.00	
100	Cast Iron Pipe	5,104.00	4,876.70	227.30	—	
100	Commercial Solvents	25,740.00	26,456.00	—	716.00	
100	Anaconda Copper	14,930.00	15,318.00	—	388.00	
100	Natl. Cash Reg.	12,780.00	12,966.00	—	186.00	
100	American Smelting	11,175.00	11,346.00	—	171.00	
100	Bethlehem Steel	9,910.00	10,921.00	—	1,011.00	
	Interest	1,007.11	—	1,007.11	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Apr						
100	Calif. Packing	7,810.00	7,471.00	339.00	—	
1000	Universal Cons. Oil	3,667.31	1,879.80	1,787.51	—	
100	Fox Theatre	3,722.50	2,776.00	946.50	—	
100	Mack Truck	10,825.00	9,873.50	951.50	—	
1000	Sinclair Oil	41,225.00	37,760.00	3,465.00	—	
1000	Rio Grande	40,725.00	40,885.00	—	160.00	
500	Patimo Mines	20,112.50	20,146.00	—	33.50	
500	Radio Corp.	48,125.00	48,855.00	—	730.00	
	Interest	1,419.74	—	1,419.74	—	
May						
300	General Motors	24,105.00	24,036.30	68.70	—	
	Interest	902.21	—	902.21	—	
Jun						
300	General Motors	42,250.00	36,698.00	5,552.00	—	
300	Atlantic Refg.	20,605.81	21,129.50	—	523.69	
100	Elec. Investment	15,630.00	16,853.50	—	1,223.50	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
100	Commercial Solv.	35,261.35	36,946.00	—	1,684.65	
100	General Elec.	28,440.00	29,756.00	—	1,316.00	
	Transfer Pac. Ind.	1.00	—	1.00	—	
200	Rites U. S. Steel	—	879.40	—	879.42	
	Interest	617.48	—	617.48	—	
Jul	Interest	655.17	—	655.17	—	
	Forward	911,483.09	909,302.15	31,405.33	29,224.39	64,271.65

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	Brot. forward	911,483.09	909,302.15	31,405.33	29,224.39	64,271.65
Hutton & Co.—Margin (continued)						
Aug						
100	Standard Oil—Cal.	$ 7,925.00	7,036.00	889.00	—	
300	Sinclair Oil	11,610.00	9,978.00	1,632.00	—	
500	Chrysler Motors	38,000.00	37,117.50	882.50	—	
600	Baldwin Loco.	39,195.00	38,476.00	719.00	—	
100	Paramount-Players	6,660.00	7,036.00	—	376.00	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
200	Radio-Keith-O.	7,815.00	6,952.00	863.00	—	
300	Simmons Bed	37,915.00	40,248.00	—	2,333.00	
	Interest	194.44	—	194.44	—	
Sep						
400	Baldwin Loco.	26,130.00	25,384.00	746.00	—	
500	Pan American	34,112.50	32,690.00	1,422.50	—	
200	Loose-Wiles	16,537.50	16,610.50	—	73.00	
	Interest	538.04	—	538.04	—	
Oct						
100	Consolidated Gas	14,230.00	15,928.50	—	1,698.50	
100	Gr. Northern Ry.	11,130.00	10,766.00	364.00	—	
100	Radio Corp.	8,325.00	9,171.00	—	846.00	
100	Westinghouse Elec.	21,835.00	23,263.00	—	1,428.00	
100	American Can	16,330.00	17,894.00	—	1,564.00	
100	U. S. Steel	21,510.00	23,161.00	—	1,651.00	
500	Radio-Keith-O.	19,162.50	13,880.00	5,282.50	—	
100	Murray Body	7,419.00	3,676.00	3,743.00	—	
100	American Can	13,980.00	15,269.00	—	1,289.00	
100	Western Elec.	16,530.00	18,468.00	—	1,938.00	
	Interest	1,227.61	—	1,227.61	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
Nov						
100	American Can	16,830.00	10,569.00	6,261.00	—	
100	"	15,680.00	10,669.00	5,011.00	—	
100	"	14,130.00	10,369.00	3,761.00	—	
100	American Tel & Tel	28,640.00	21,061.00	7,579.00	—	
100	"	25,540.00	21,161.00	4,379.00	—	
100	Claude Neon	4,420.00	3,178.00	1,242.00	—	
100	Erie RR	9,287.50	4,488.50	4,799.00	—	
500	Fox Film	36,065.00	29,867.50	6,197.50	—	
500	U. S. Pipe	25,520.00	8,908.50	16,611.50	—	
100	U. S. Steel	25,040.00	17,266.00	7,774.00	—	
100	U. S. Steel	23,235.00	17,466.00	5,769.00	—	
100	U. S. Steel	20,935.00	17,566.00	3,369.00	—	
100	Fox Film	6,372.50	5,973.50	399.00	—	
300	Radio-Keith-O.	5,452.50	5,335.50	117.00	—	
100	Fox Film	6,235.00	6,273.50	—	38.50	
500	"	30,625.00	31,180.00	—	555.00	
	Interest	1,376.94	—	1,376.94	—	
	Forward	$1,585,179.12	1,503,638.65	124,554.86	43,014.39	64,271.63

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SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
	Brot. forward	$1,585,179.12	1,503,638.65	124,554.86	43,014.39	64,271.63
Hutton & Co.—Margin—continued						
Dec						
200	Claude Neon	8,565.00	6,606.00	1,959.00	—	
200	Commercial Solv.	7,640.00	5,452.00	2,188.00	—	
2000	Fox Theatres	24,350.00	14,432.50	9,917.50	—	
100	General Food	7,122.50	4,588.50	2,534.00	—	
100	Loews, Inc.	4,220.00	4,076.00	144.00	—	
100	Montgomery Ward	12,680.00	4,851.00	7,829.00	—	
300	"	28,380.00	14,515.50	13,864.50	—	
100	"	5,222.50	4,626.00	596.50	—	
180	Murray Body	13,356.00	3,322.80	10,033.20	—	
100	N. Y. Central	20,235.00	16,991.00	3,244.00	—	
500	Paramount	35,837.50	25,367.50	10,470.00	—	
100	"	6,722.50	4,738.50	1,984.00	—	
200	"	8,640.00	9,602.00	—	962.00	
100	"	4,670.00	4,738.50	—	68.50	
500	Radio Corp.	23,860.00	20,067.50	3,792.50	—	

SCHEDULE 6 (Continued)

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT & LOSS ON SALE OF STOCKS & BONDS

DECEMBER 31, 1929

Shs.	Corporation	Cost	Sold	Loss	Gain	Net Profit
200	Radio-Keith-O.	3,635.00	3,482.00	153.00	—	
200	Rossia Insurance	12,595.00	7,459.20	5,135.80	—	
200	Skelly Oil	7,290.00	6,183.00	1,107.00	—	
100	Standard Oil—NJ	5,522.50	6,176.50	—	654.00	
200	Texas Corp.	13,820.00	10,978.00	2,842.00	—	
200	U. S. Steel	34,860.00	33,057.00	1,803.00	—	
200	U. S. Pipe	4,035.00	3,663.40	371.60	—	
100	United Corp.	6,222.50	3,113.50	3,109.00	—	
100	Western Elec.	16,130.00	13,068.00	3,062.00	—	
200	Fox Film	10,745.00	11,047.00	—	302.00	
100	Paramount	4,570.00	4,801.00	—	231.00	
151	Transamerica rites	18.64	—	18.64	—	
	Interest	1,273.64	—	1,273.64	—	
		1,917,397.40	1,750,642.55	211,986.74	45,231.89	
		1,750,642.55		45,231.89		
		166,754.85		166,754.85	Loss	166,754.85
	Net Loss on Sale of Stocks & Bonds					$102,483.22

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SCHEDULE 7

CECIL B. de MILLE PRODUCTIONS, INC.

PROFIT ON SALE OF REAL ESTATE, ETC.

YEAR 1925

Salvage				
Camera and Lighting Equipment				$ 20,000.00
Note: This equipment was used in the production of pictures under the Lasky contract and on cancellation of that contract had a remaining useful life estimated as above.				
Picture Rights				
Strongheart—Gain			8,750.00	
Automobiles				
Cadillac—Loss			59.61	8,690.39
				$ 28,690.39

YEAR 1926

Real Estate Transactions				
Laughlin Park				
Sale lots 4-9-10-11 for		44,550.00		
Cost	17,895.33			
Commission	1,694.50			
Surveying	235.25			
Plans	90.25			
Legal Fees	50.00	19,965.33	24,584.67	
Ventura Blvd.				
Sale lots 376-7-8-9-80 for		2,500.00		
Cost	1,117.67			
Legal Fees	31.45	1,149.12	1,350.88	
Net profit				$ 25,935.55

YEAR 1927

Sales—Real Estate			
Fernangeles Syndicate		528.96	
Laughlin Park		26,087.74	
Ventura Blvd.		1,605.47	
Net Profit on Sale of Real Estate			$ 28,223.17

YEAR 1928

Real Estate	Amt. Rec.	Dep. Taken	Cost			
Lot 7 Laughlin Park	11,000.00		4,556.50	6,443.50		
Vine St. Buildings	522.50	1,127.75	4,985.97	(3,335.72)		
Net profit on real estate					3,107.78	
Equipment						
Production	64,054.36		100,000.00		(35,945.64)	
Automobiles						
Dodge	300.00	92.33	738.62	(346.29)		
Cunningham	1,500.00	218.75	1,500.00	218.75		
Locomobile	100.00	3,540.00	3,540.00	100.00		
Net loss on autos					(27.54)	
Theatres						
Tempest	17,500.00	1,666.67	20,000		(833.33)	
Wardrobe						
Cloaks	256.25				256.25	
Net loss on sundry sales						$(33,442.48)

SCHEDULE 8

CECIL B. De MILLE PRODUCTIONS, INC.

CONTRACTS AND ROYALTIES

YEAR 1925

Royalties			
Contract—Famous-Players-Lasky Note: Accrued as of Sept. 30th per their audit as of that date. The remaining 4 mo. are indeterminate as of Dec. 31st, until the completion of their audit for the remaining quarter.			$308,503.03
Contracts			
Famous-Players-Lasky		$ 67,310.00	
de Mille, C. B. Pictures		189,000.00	256,310.00

YEAR 1926

Contracts			
C. B. de Mille Pictures Corporation			$234,000.00
Royalties			
Famous Players Lasky (Recd.)		704,344.65	
Famous Players Lasky (accrued as of June 30)		6,864.23	
		711,208.88	
Less Accrual for year 1925	308,503.03		
Less Miss Macpherson's	15,619.79	324,122.82	
Total			$387,086.06

YEAR 1927

Contracts		
C. B. De Mille Pictures Corp.		$248,000.00
Royalties—Picture Rights		
Ten Commandments	32,418.30	
Country Doctor	1,929.83	
Fighting Eagle	1,579.53	
His Dog	1,146.58	
Dress Parade	818.30	
Angel of Broadway	659.32	
Wreck of Hesperus	356.14	
Wise Wife	304.45	
For Women	264.96	
The Girl in the Pullman	240.18	
Main Event	179.88	
Rush Hour	17.03	
Almost Human	16.18	
Total Royalties		$ 39,930.68

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YEAR 1928

Contracts		
Pathe Exchange	259,652.99	
Metro-Goldwyn-Mayer	50,000.00	
Total		309,652.99
Royalties		
Famous Players Lasky	7,050.93	
Cinema Corp. of America	54,317.59	
Pathe Exch.	47,203.21	
Total Royalties		$108,571.73

YEAR 1929

Contracts	
Metro-Goldwyn-Mayer	150,000.00
Royalties—Picture	
Pathe	200,282.22
Cinema	62,438.34
Famous	18,537.53
Magazine Rights	250.00
Oil Royalties	
Leo D. Jacoby	11,175.07
National Royalties	2,798.61
	$293,481.77

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SCHEDULE 9

CECIL B. DE MILLE PRODUCTIONS, INC.

NET REAL ESTATE EXPENSES (INC. TAXES AND DEP.)

YEAR 1925

Real Estate (Carrying Charges)		
City		
Laughlin Park		
Taxes	5,960.69	
Interest	4,200.00	
Care taking	5,926.85	
Repairs and Maintenance	1,741.56	
Insurance	426.42	
Depreciation	4,818.69	
Total expense	23,074.21	
Less rentals	7,200.00	15,874.21
Highland Ave.		
Depreciation	1,181.25	
Less rentals	1,088.34	92.91

1628 Vine St.		
Taxes	243.23	
Interest	1,361.12	
Depreciation	233.34	
Total expenses	1,837.69	
Less rentals	753.93	1,083.76
Sunset N. Side		
Taxes	368.65	
Interest	700.00	
Light—street	22.87	
Total expense	1,091.52	
Less rentals	337.50	754.02
Fernangeles		
Taxes	98.74	
Repairs and maintenance	192.58	
Insurance	204.00	
Legal fee	4.15	
Depreciation	312.18	
Total Expenses	811.65	
Less rentals	613.50	198.15
Hollywood Blvd.		
Taxes	454.22	
Interest	831.25	
Legal fees	66.90	
Light—street	17.78	
Total expenses	1,370.15	
Less rentals	60.00	1,310.15

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YEAR 1925 (Cont'd.)

Real Estate (Carrying Charges) (Cont'd.)		
City		
Sunset and Cahuenga		
Taxes	106.82	
Light—street	44.08	
Total expenses	150.90	
Less Rentals	42.50	108.40
Ventura Blvd.		
Taxes	332.95	
Interest	110.01	442.96
Vine St. Theatre		
Interest	300.25	
Expense of Loan	445.14	
Clearing Lot	69.10	
Canopy	12.71	
Insurance	25.00	
Light—street	70.40	
Stationery	13.15	935.75
Total expense City property		20,800.31
Ranch		
Wyatt Ranch		
Taxes	57.94	
Interest	598.00	
Labor	2,623.21	
Insurance	55.00	
Gasoline	276.28	
Repairs & Maintenance	428.88	
Legal fees	529.13	
Depreciation	5.78	
Total expenses	4,574.22	
Less fruit sold	19.50	4,554.72

Zens Ranch			
Taxes	110.86		
Interest	727.13	837.99	
Ranch			
Hunter Ranch			
Taxes	34.57		
Interest	856.42	890.99	
Olmstead Ranch			
Taxes	15.05		
Interest	792.85	807.90	

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YEAR 1925 (Cont'd.)

Real Estate (Carrying Charges) (Contd.)			
Ranch			
Cereghino Ranch			
Taxes	2.57		
Interest	183.75	186.32	
Total Ranch expense		7,277.92	
Total real estate carrying charge			$28,078.23
Division of Earnings			
½ of N. Est. Subdivision earnings			3,800.00
Total Expenses			$31,878.23

YEAR 1926

Real Estate Carrying Charges			
Laughlin Park			
Taxes		6,860.46	
Interest		2,753.34	
Depreciation		4,874.50	
Labor			
Bryant	1,855.00		
Hauson	1,920.00		
Pasgnaso	750.00		
Collins	375.00		
Gardners	992.16	5,892.16	

Repairs	1,149.44		
Water & Light	712.37		
Ant Control	67.25		
Fertilizer	155.10		
Insurance	26.80		
Supplies	85.75		
	22,577.17		
Less Rentals	7,200.00	15,377.17	
2338 Observatory Ave.			
Taxes	176.49		
Interest	54.44		
Depreciation	680.35		
Repairs	569.92		
Insurance	128.00		
	1,609.20		
Less Rentals	750.00	859.20	
Ventura Blvd.,			
Taxes		187.84	
Oakhurst Drive			
Taxes	7.06		
Legal Fees	18.30	25.36	
Forward			$ 16,449.36

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YEAR 1926 (Cont'd.)

Brought Forward		16,449.57	
Ranch			
Taxes			
Cereghino	7.83		
Hunter	107.80		
Olmstead	21.59		
Wyatt	76.50		
Wyckoff	20.80		
Zenz	100.41	293.33	

Interest					
Cereghino		245.00			
Hunter		2,228.88			
Olmstead		1,086.85			
Wyatt		487.25			
Zenz		525.00	4,572.98		
Repairs					
Tunnel		851.48			
General		864.92	1,716.40		
Depreciation					
Buildings		5.78			
Machinery		368.48	374.26		
Labor					
Poe		1,540.00			
Thurston		1,430.00	2,970.00		
Insurance		92.40			
Feed		67.88			
Gas & Oil		455.22			
Tools		11.95			
Seed		75.50			
Legal Fees		538.50			
Vermin		151.05			
Wreaths		.41			
Supplies		275.22	1,668.13		
			11,595.10		
Less Credit for sales					
Hay	467.77				
Bailing	221.55	246.22			
Fruit		175.61	421.83	11,173.27	
	Total				$27,622.84

Real Estate Joint Investments			
Fernangles			
Taxes	153.47		
Depreciation	312.18		
Insurance	188.06		
Water	13.57		
Repairs	19.02		
	686.30		
Less Credit for Rentals	428.25	258.05	

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YEAR 1926 (Cont'd.)

Fwd.		258.05	$27,622.84
Hollywood Blvd.			
Taxes	412.07		
Interest	601.31		
Light	36.76		
	1,050.14		
Less Credit for Rentals	60.00	990.14	
North Side of Sunset			
Taxes	431.20		
Interest	600.82		
Escrow	146.22		
Commission	9.00		
Legal Fee	1.50		
	1,188.74		
Less Credit for rental	204.17	984.57	
Souts Side of Sunset			
Taxes	112.64		
Excess Credit taken in 1924	21.88		
Light 1925-1926	10.41		
	144.93		
Less Credit for Rentals	3.13	141.80	

1628 Vine Street				
Taxes		260.82		
Interest		797.77		
Depreciation		233.34		
Repairs		9.72		
Light		9.62		
		1,311.27		
Less Credit for Rentals		636.19	675.08	
			3,049.64	
Highland Avenue				
Rentals Received		2,522.21		
Interest Received		12.70		
		2,534.91		
Less Taxes	364.20			
Depr.	1,181.25			
Int.	612.50			
Ins.	168.00			
Light	14.39	2,340.34	194.57	
			2,855.07	$ 2,855.07
Division of Earnings				
N. Est. Subdivision—to Wm. DeMille			$ 3,000.00	
			$33,479.91	

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YEAR 1927

Real Estate Carrying Charges			
Laughlin Park			
Taxes	$ 5,211.28		
Interest	2,205.00		
Watchman	1,730.00		
Gardners	5,251.94		
Water	579.53		
Repairs	5,021.39		
Auto Ex.	150.00		
Survey	51.75		
Depreciation	5,294.18		
	25,495.07		
Less Rentals	7,200.00		
		18,295.07	

2338 Observatory Ave.		
Taxes	361.73	
Gardening	92.60	
Repairs	17.50	
Depreciation	742.20	
	1,214.03	
Less Rentals	900.00	
		314.03
Oakhurst Drive		
Taxes	107.17	
Gardner	108.00	
Water	25.20	
Insurance	67.50	
Light	10.89	318.76
Ventura Blvd.		
Taxes		76.13
Fernangeles		
Taxes	155.19	
Insurance	184.00	
Repairs	11.41	
Depreciation	312.18	
	662.78	
Less Rentals	185.00	
		477.78
Hollywood Blvd.		
Taxes	424.70	
*Interest	427.30	
Legal Fee	3.25	
	855.25	
Less Rentals	60.00	795.25
FORWARD		20,277.02

*NOTE: $87.50 of this should have been charged against the ½ owned by C. B. DeMille personal—correction is made in 1928.

YEAR 1927 (Cont'd.)

Real Estate Carrying Charges (Contd.) Forward			26,267.48
Highland Ave.			
Rentals		3,862.19	
Less—Taxes	339.62		
Interest	981.71		
Light	14.19		
Depreciation	1,993.22	3,328.74	
A Reduction of Carrying Charge of			533.45
Net Amount of Carrying Charge			25,734.03
Ranch Operations			
Labor			8,414.41
Feed			2,056.36
Supplies			384.86
Repairs			556.87
Gas, Oil & Fuel			677.72
Fowls less inventory			612.62
License			2.50
Legal Fees			53.34
Insurance			100.25
Seed			163.15
Fumigation			287.56
Depreciation			
Implements			423.23
Livestock			14.50
Furn. & Fix.			45.93
			13,793.30
Less—Sale of Produce		100.35	
Sale of Fruit		1,753.97	
Sale of Poultry		1,370.19	
Sale of Livestock		35.00	3,259.51
Loss from Ranch Operation			10,533.79
Theatre Operation			
Tempest			
Expense over income			5,020.12
Amortization of Lease			833.33
Depreciation of Furn. & Fix.			833.34 6,686.79
			$42,954.61

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YEAR 1927 (Cont'd.)

Real Estate Carrying Charges (Contd.) Forward			20,277.02
North Side Sunset			
Taxes		446.14	
Interest		600.84	
Light		20.47	
Sign		3.00	
		1,070.45	
Less Rentals		146.87	
			923.58
Sunset & Cahuenga			
Taxes		113.57	
Light		39.48	
		153.05	
Less Rentals		54.53	98.52
1628 Vine St.			
Taxes		370.10	
Insurance		85.05	
Light		9.19	
Depreciation		233.34	
		697.68	
Less Rentals		652.53	45.15
Ranches			
Cereghino			
Taxes		9.52	
Interest	234.11	243.63	
Hunter			
Taxes	160.91		
Interest	2,154.58		
Depreciation	80.64	2,396.13	

Olmstead			
Taxes	20.81		
Interest	746.76	767.57	
Wyatt			
Taxes	97.20		
Interest	213.75		
Depreciation	11.55	322.50	
Wyckoff			
Taxes	97.85		
Depreciation	408.04	505.89	
Zens			
Taxes	119.71		
Interest	567.78	687.49	
Total of Ranches			4,923.21
FORWARD			26,267.48

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YEAR 1928

Carrying Charges—City Real Estate			
Laughlin Park			
Taxes	4,726.75		
Interest	2,450.00		
Repairs	1,417.01		
Gardening & Watchman	5,095.80		
Water-See-Fertilizer	799.09		
Insurance	759.50		
Sundry Expense	4.00		
Depreciation	5,298.90	20,551.05	
Less			
Rentals	7,200.00		
Escrow Fee	25.84	7,225.84	
Total			13,325.21
Royal Palms Apts.			
Taxes	742.68		
Interest	5,200.46		
Commissions	1,500.00		
Janitor	1,000.00		
Light & Power	253.01		
Gas	212.97		
Repairs	608.75		
Insurance	218.91		
Water	191.20		
Escrow	85.00		
Cleaning	50.00		
Janitor Supplies	93.00		
Garbage	33.00		
Escrow	2.00		
Depreciation	1,923.26	12,114.24	

Less Rentals			
Berg	1,079.55		
Payne	1,247.79		
Campbell	1,169.55		
Finen	1,119.55		
Gowing	1,007.42		
Loeffler	1,853.22		
Jones	1,060.00		
Hottinger	737.42		
Roberts	900.00		
Butcher	468.75		
Bennett	150.00		
Scott	175.00		
Hyanesberg	100.00		
Hendrickson	65.00	11,133.25	980.99
Total			14,306.20

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YEAR 1928

1628 Vine St. Carrying Charges City R. E. Cont'd.			14,360.20
Taxes	397.03		
Light	8.64		
Water	1.42		
Depreciation	194.40	601.49	
Less			
Rentals	354.28		
Insurance refund	26.17	380.45	
Total			221.04
2338 Observatory Ave.			
Taxes	382.94		
Repairs	343.79		
Depreciation	742.20	1,468.93	
Less			
Rentals		825.00	
Total			643.93

Hollywood Blvd.			
Taxes	480.65		
Interest	262.50		
Light	18.96		
Cleaning	5.25	767.36	
Less			
Rentals		60.00	
Total			707.36
Fernangeles			
Taxes	148.11		
Insurance	184.00		
Light	14.82		
Depreciation	312.18	659.11	
Less			
Rentals		89.00	
Total			570.11
No. Side Sunset			
Taxes	477.80		
Interest	700.00		
Light	19.07	1,196.87	
Less			
Rentals		37.50	1,159.37
So. Side Sunset			
Taxes	125.35		
Less			
Rentals	30.38		
Total		94.97	94.97
Balance Forward			17,702.98

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Carrying Charges—Real Estate Cont'd.			17,702.98
Veteran Ave.			
Repairs	155.50		
Water	3.00		
Depreciation	74.23	232.73	
Less			
Rentals		50.00	
Total			182.73
Oakhurst Ave.			
Repairs	27.75		
Water	2.00		
Gardner	22.50		
Total			52.25
Ivar Avenue			
Taxes	286.44		
Interest	825.00		
Escrow	2.50		
Total			1,113.94
Ventura Blvd.			
Taxes			80.85
			19,132.75
Highland Ave.			
Taxes	719.97		
Interest	1,225.00		
Insurance	816.00		
Light	27.84		
Commissions	256.82		
Depreciation	2,269.75	4,815.38	
Less			
Rentals		6,308.33	
Less Credit for Highland Ave.			1,492.95
			17,639.80
Sundry R. E. Expenses			7.60
Total City Property			17,647.40

Carrying Charges—Country Real Estate			
Labor			
Floyd	1,039.19		
Jones	300.00		
Zagar	302.50		
Ross	100.00		
Ponty	646.46		
Poe	185.00		
Huling	596.66		
Brock	251.66	3,421.47	
Balance Forward		3,421.47	17,647.40

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Carrying Charges—Country Real Estate (Cont'd.)		3,421.47	17,647.40
Expenses			
Repairs—Autos	59.85		
Repairs—General	496.87		
Auto Hire	110.00		
Gas & Oil	370.10		
Light & Power	121.38		
Seed	69.44		
Spraying	23.50		
Inspection	20.00		
Feed	281.73		
Insurance—Buildings	58.00		
Insurance—Compensation	94.73		
General Expense	139.71		
Total			1,845.31
Pheasantry			
Labor—Floyd	150.00		
Fuel	37.73		
Feed	2,213.49		
Loss on Inventory	2,565.21		
	4,966.43		
Less sale of birds	3,577.67	1,388.76	

Interest			
Cereghino Ranch	63.29		
Hunter Ranch	2,228.88		
Olmstead Ranch	1,159.39		
Wyatt Ranch	90.00		
Zenz Ranch	700.00	4,241.56	
Taxes—City and County			
Cereghino Ranch	8.38		
Olmstead Ranch	28.02		
Hunter Ranch	235.91		
Wyatt Ranch	106.51		
Wycoff Ranch	33.57		
Zenz Ranch	154.53	566.92	
Depreciation			
Hunter Ranch Bldgs.	161.28		
Wyatt Ranch	11.55		
Wycoff Ranch Pheasantry	831.25		
Horses—Draft	14.50	1,018.58	
		12,482.60	
Less Income			
Oranges	1,277.50		
Lemons	1,303.42	2,580.92	
Total		9,901.68	9,901.68
			27,549.08

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	YEAR 1929		
Fernangeles			
Taxes	145.22		
Interest	28.25		
Insurance	58.75		
Water	10.31		
Depreciation	312.18		
Gross Expense		554.71	
Rentals		62.50	
Net carrying charge			492.21

Hollywood Blvd.			
Taxes	624.70		
Interest	89.00		
Insurance	45.00		
Light	16.82		
Water	9.36		
Commission	1,053.00		
Depreciation	106.97		
Gross Expense		1,944.85	
Rentals		739.00	
Net carrying charge			1,205.85
Ivar Ave.			
Taxes	322.29		
Interest	600.00		
Net carrying charge			922.29
Laughlin Park			
Taxes		5,562.63	
Interest		2,450.00	
Insurance		91.00	
Light		20.00	
Water		684.87	
Repairs		1,330.74	
Ant Control		67.25	
Fertilizer		417.10	
Depreciation		5,302.87	
Sundry Expense		44.28	
Gardening & Watchman		5,853.71	
		21,824.45	
Rentals		6,600.00	
Net carrying charge			15,224.45
Forward			$17,844.80

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Brought Forward			17,844.80
Royal Palms			
Taxes		804.08	
Interest		5,811.80	
Insurance		659.57	
Light		138.32	
Water		200.00	
Gas		317.36	
Repairs		524.61	
Cleaning		40.00	
Janitor—Hendrickson		1,200.00	
Supplies		43.45	
Power		110.53	
Lawn		27.00	
Depreciation		2,098.10	
		11,974.82	
Rentals		8,203.45	
Net Carrying Charge			3,771.37
N. Side Sunset			
Taxes		856.11	
Interest		1,123.89	
Light		24.44	
Clearing lot		21.25	
Sundry		.02	
		2,025.71	
Rentals			
Foster & Kleiser	44.60		
Peterson	385.00	429.60	
Net Carrying Charge			1,596.11
			23,212.28

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Brought Forward		23,212.28
S. Side Sunset		
Taxes	133.59	
Interest	23.44	
Lighting	1.68	
Recording	.31	
	159.02	
Rentals		
Foster & Kleiser	5.62	
Net Carrying Charge		153.40
Ventura Blvd.		
Taxes	170.86	170.86
Veteran Ave.		
Taxes	135.85	
Insurance	19.50	
Repairs	34.90	
Depreciation	148.46	
	338.71	
Rentals		
Reiker	266.25	
Net Carrying Charge		72.46
Observatory Ave.		
Taxes	402.13	
Insurance	128.00	
Depreciation	742.20	
	1,272.33	
Rentals		
Faye	750.00	
Net Carrying Charge		522.33
		$24,131.33

Highland Ave.			
Taxes		924.85	
Insurance		427.00	
Light		21.91	
Depreciation		2,269.75	
		3,643.51	
Rentals			
Hollywood Corp.		5,353.33	
Net Credit		1,709.82	
Kingsley Drive			
Repairs		5.00	
Depreciation		674.52	
		679.52	
Rentals			
Henderson		2,100.00	
Net Credit		1,420.48	
Total Credits Forward		3,130.30	$24,131.33

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Brought Forward		3,130.30	24,131.33
Vine St.—1628			
Repairs	53.71		
Commission	38.88		
Recording	2.22		
Sundry	2.22		
	97.03		
Rentals			
Parking space	1,711.05		
Credit against charges		1,614.02	
Total credit against carrying charges			4,744.32
Total carrying charges on City Real Estate			19,387.01

Ranch				
Taxes				
Cereghino	8.66			
Olmstead	28.99			
Hunter	246.02			
Wyatt	118.42			
Wyckoff	23.04			
Zens	159.86	584.99		
Interest				
Hunter	2,228.88			
Olmstead	840.00			
Wyatt	90.00			
Zens	700.00	3,858.88		
Insurance		213.22		
Repairs		193.67		
Auto & Truck Expenses		155.16		
Material		212.20		
Light & Power		277.61		
Telephone & Telegraph		31.65		
Veterinary		15.50		
Petaluma Laboratory		31.10		
Spraying		232.80		
Pruning		231.25		
Feed & Seed Stock		369.64		
Feed—Pheasantry		1,341.74		
Depreciation		4,069.84		
Water Report		150.00		
Sundry Expense		508.85		
Labor		4,909.20		
		17,387.30		
Sales				
Oranges	620.26			
Lemons	974.58			
Pheasants	957.79			
Incl'd in inventory	1,890.00	4,442.63		
Total Ranch Carrying Charges			12,944.67	12,944.67
Total Real Estate Carrying Charges				$32,331.68

PETITIONER'S EXHIBIT 3.

[Endorsed] Admitted in evidence Dec 13 1933.

CECIL B. DeMILLE PRODUCTIONS, INC.
1930 - 1931 - 1932

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CECIL B. DE MILLE PRODUCTIONS, INC.

1930 - 1931 - 1932

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Cecil B. De Mille Productions, Inc.

COMPARATIVE BALANCE SHEETS

1929 - 1930

	— December 31 — 1929	1930	Increase Decrease
Assets			
Cash	$ 389,499.75	284,066.74	105,433.01
Notes and Accounts Receivable	172,319.09	212,205.86	39,886.77
Stocks, Bonds, Oil Leases, etc.	1,143,147.49	935,958.00	207,189.49
Real Estate	826,257.97	860,247.85	33,989.88
Furniture and Fixtures	27,790.42	31,783.81	3,993.39
Autos	6,686.89	6,686.89	—
Yacht	59,671.51	59,671.51	—
Dramatic Property	33,028.50	33,028.50	—
Farm Implements	5,106.87	6,182.32	1,075.45
Life Insurance	68,435.00	77,816.00	9,381.00
Live Stock	10,118.50	4,386.50	5,732.00
Picture Rights	475.00	—	475.00
Deferred Charges	—	2,770.00	2,770.00
	$2,742,536.99	2,514,803.98	227,733.01
Liabilities			
Notes and Mortgages Payable	$ 488,034.47	379,308.89	108,725.58
Accounts Payable	1,151.59	8,485.06	7,333.47
Deferred Credits	—	5,218.00	5,218.00
Reserve for Depreciation	119,607.42	129,311.34	9,703.92
Capital Stock	800,000.00	800,000.00	—
Surplus	1,333,743.51	1,192,480.69	141,262.82
	$2,742,536.99	2,514,803.98	227,733.01
Surplus—1930			
Balance first of year	$	1,333,743.51	
Net Loss for 1930	99,262.82		
Dividends Paid—1930	42,000.00	141,262.82	
Balance End of Year		$1,192,480.69	

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Cecil B. De Mille Productions, Inc.

COMPARATIVE BALANCE SHEETS

1930 - 1931

	— December 31 — 1930	1931	Increase Decrease
Assets			
Cash	$ 284,066.74	192,136.36	91,930.38
Notes and Accounts Receivable	212,205.86	184,516.52	27,689.34
Stocks, Bonds, Oil Leases, etc.	935,958.00	787,671.56	148,286.44
Real Estate	860,247.85	1,124,111.58	263,863.73
Furniture and Fixtures	31,783.81	69,772.63	37,988.82
Autos	6,686.89	6,686.89	—
Yacht	59,671.51	59,536.51	135.00
Dramatic Property	33,028.50	33,028.50	—
Farm Implements	6,182.32	6,347.29	164.97
Life Insurance	77,816.00	91,528.00	13,712.00
Live Stock	4,386.50	2,892.50	1,494.00
Picture Rights, etc.	—	19,220.25	19,220.25
Deferred Charges	2,770.00	4,156.97	1,386.97
	$2,514,803.98	2,581,605.56	66,801.58
Liabilities			
Notes and Mortgages Payable	$ 379,308.89	447,627.60	68,318.71
Accounts Payable	8,485.06	39,830.75	31,345.69
Deferred Credits	5,218.00	3,171.35	2,046.65
Reserve for Depreciation	129,311.34	148,019.95	18,708.61
Capital Stock	800,000.00	800,000.00	—
Surplus	1,192,480.69	1,142,955.91	49,524.78
	$2,514,803.98	2,581,605.56	66,801.58
Surplus—1931			
Balance first of year	$	1,192,480.60	
Prior year adjustments		8,173.27	
		1,200,653.96	
Net Loss for 1931	27,698.05		
Dividends Paid—1931	30,000.00	57,698.05	
Balance End of Year		$1,142,955.91	

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Cecil B. De Mille Productions, Inc.

COMPARATIVE BALANCE SHEETS

1931 - 1932

	— December 31 — 1931	1932	Increase Decrease
Assets			
Cash	$ 192,136.36	119,866.87	72,269.49
Notes and Accounts Receivable	184,516.52	276,830.54	92,314.02
Stocks, Bonds, Oil Leases, etc.	787,671.56	629,995.77	157,675.79
Real Estate	1,124,111.58	1,092,348.45	31,763.13
Furniture and Fixtures	69,772.63	70,614.93	842.30
Autos	6,685.89	5,093.24	1,593.65
Yacht	59,536.51	60,086.51	550.00
Dramatic Property	33,028.50	33,028.50	—
Farm Implements	6,347.29	6,182.32	164.97
Life Insurance	91,528.00	107,468.00	15,940.00
Live Stock	2,892.50	—	2,892.50
Picture Rights and Stories	19,220.25	21,253.09	2,032.84
Deferred Charges	4,156.97	3,789.10	367.87
Construction Equipment	—	16,349.66	16,349.66
	$2,581,605.56	2,442,906.98	138,698.58
Liabilities			
Notes and Mortgages Payable	$ 447,627.60	451,447.85	3,820.25
Accounts Payable	39,830.75	55,933.39	16,102.64
Deferred Credits	3,171.35	—	3,171.35
Reserve for Depreciation	148,019.95	175,388.16	27,368.21
Capital Stock	800,000.00	800,000.00	—
Surplus	1,142,955.91	960,137.58	182,818.33
	$2,581,605.56	2,442,906.98	138,698.58
Surplus—1932			
Balance first of year	$	1,142,955.91	
Loss for 1932	172,818.33		
Dividends Paid	10,000.00	182,818.33	
Balance End of Year		$ 960,137.58	

Cecil B. De Mille Productions, Inc.
PROFIT AND LOSS STATEMENTS

	1930	1931	1932
Income (Taxable)			
Profit or Loss on sale of Securities	$123,561,48	58,283.05	107,777.44
Profit or Loss on Sale of Real Estate	5,946.92	6,546.22	29,373.34
Contracts	175,000.00	100,000.00	50,000.00
Interest	25,321.63	19,750.32	8,785.94
Royalties and Sale of Picture Rights	56,828.79	13,015.70	52,663.56
Miscellaneous Income	4,494.32	2,640.29	—
Gross Taxable Income	132,136.34	83,669.48	25,701.28
Allowable Deductions			
Payroll	181,637.55	81,465.80	72,066.50
Interest (Except Real Estate)	12,539.96	11,969.37	7,086.71
Taxes (Except Real Estate)	2,723.83	1,961.85	21,369.64
Net Real Estate Exp. (Inc. Taxes & Dep.)	28,032.65	20,363.06	4,596.46
Kitchen Expense	2,905.43	642.48	—
*Yacht Expense	19,249.65	3,340.25	9,850.61
Dues, Subscriptions and Publicity	4,778.64	1,865.97	6,559.82
Auto Expense	3,226.46	2,420.16	2,009.24
Office and Miscellaneous	8,477.34	12,799.61	6,914.49
Picture Expenses	2,874.22	4,557.65	275.45
Bad Debts	6,529.54	3,713.01	—
Total Allowable Deductions	272,975.27	145,099.21	130,728.92
Non-Taxable Income			
Dividends	46,025.69	35,887.65	9,894.33
Interest	1,581.27	2,126.02	1,686.49
	47,606.96	38,013.67	11,580.82
Unallowable Deductions			
Kitchen Expense	968.48	642.49	—
Life Insurance	358.00	3,639.50	10,043.22
Federal Income Tax	5,420.37	—	—
Loss on Stocks & Bonds (Held less than 2 years)	—	—	38,012.17
	6,030.85	4,281.99	27,968.95
Net Loss	$ 99,262.82	27,698.05	172,818.33

(*) Decreased by Rentals Received for 1931—$10,000.00 and 1932—$1,940.00.

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Cecil B. De Mille Productions, Inc. Page 5.

NOTES AND ACCOUNTS RECEIVABLE

	Dec. 31, 1930	Dec. 31, 1931	Dec. 31, 1932
Notes Receivable			
Andrews, W. P.	—	2,897.50	—
Baker, F. D.	870.90	765.13	765.13
Barrye, Emily	260.00	150.00	140.80
Buckland, Wilfred	1,500.00	1,500.00	1,770.00
Burns, Roy F.	218.44	118.44	68.44
Belcher, Earnest	—	3,664.00	3,664.00
Boswell, J. G. & Co.	—	—	42,032.00
Calvin, F. E.	100.00	—	—
Danziger, J. L. & F. M.	25,274.80	24,339.34	—
De Mille, Cecil B.	10,900.00	—	6,000.00
Edgerton, King & Co.	—	1,349.37	1,349.37
Faye, Julia	5,357.87	5,357.87	5,357.87
Flebbe, G. H. & B.	12,167.00	12,274.30	12,329.60
Hansen, I. C.	4,428.94	2,026.46	1,783.30
Hilpert, F. S.	7,00.00	7,000.00	7,000.00
Jacoby, Leo D.	7,553.18	—	—
King, A. G.	1,138.36	1,595.47	—
Kosloff, Theo.	—	2,250.00	1,895.84
Lyne, K.	3,978.18	3,374.84	—
Lone Butte Farms	—	—	1,333.33
McGaffey, E. B.	2,092.64	2,000.00	2,000.00
Macpherson, J.	300.00	316.62	317.02
Potter, F. W.	—	508.85	508.85
Raynsford, C. O.	3,219.29	2,866.27	2,808.78
Reid, F. A. & Wife	5,000.00	5,000.00	5,000.00
Royal Dairy Prod. Co.	27,354.08	27,354.08	27,354.08
Salt River Valley Land Co.	3,756.20	4,441.80	4,526.10
Sampson, Hugh R.	2,867.67	—	—
San Pedro St. Realty Co.	2,460.42	—	—
Utilities Improv. Co.	—	—	65,000.74
Van Deinse, F. C. & L. M.	15,000.00	15,000.00	15,000.00
Sundry	850.00	735.00	372.79
Wilshire Prop. Inc.	—	1,500.00	1,025.00
Western Gunite Co.	50,014.95	15,461.61	14,461.61
Wigwam Theatre Co.	—	23,716.82	17,529.74
Accounts Receivable (Sundry)	18,542.94	16,952.75	35,436.15
Total Notes and Accounts Receivable	$212,205.86	184,516.52	276,830.54

Cecil B. de Mille Productions, Inc.

STOCKS, BONDS, OIL LEASES, ETC.

	— December 31, —		
	1930	1931	1932
Stocks			
American Telegraph & Telephone Co.	$ 25,399.15	$ 25,399.15	$ —
Associated Realty Owners, Inc.	1,000.00	1,000.00	1,000.00
Atchison, Topeka & Santa Fe	26,240.00	—	—
Arizona Aztec Ranching Co.	4,500.00	4,500.00	—
B. & O. Ry. Co.	13,407.30	13,407.30	1,748.80
Bellingham Dev. Co.	5,000.00	5,000.00	5,000.00
Bethlehem Steel Co.	21,650.78	2,233.04	2,233.04
Boston Food Prod.	2,500.00	2,500.00	2,500.00
Boswell Co. Ltd.	20,150.00	20,150.00	—
California Funding Co.	1,000.00	1,000.00	1,000.00
Canadian Pacific Railway Co.	1,700.00	3,950.00	—
Central Business Pr.	25,000.00	25,000.00	25,000.00
Central Investment Corp.	26,700.00	26,700.00	26,700.00
Chesapeake & Ohio Ry. Co.	48,128.88	48,128.88	18,259.88
C. Neon Lites Affc'l.	10,213.25	10,213.25	4,213.25
Dunhill International, Inc.	2,060.00	2,060.00	—
Dyas, B. H., Corp.	10,000.00	10,000.00	10,000.00
Edgerton, King & Co.	—	2,500.00	6,178.95
Elias-Katz	11,211.25	—	—
Fox Film Corporation	2,545.00	—	—
Freeport, Texas	3,232.50	3,232.50	—
Golden St. Th. & Realty Co.	20,790.00	—	—
Grand Central Garage Co.	10,000.00	10,000.00	10,000.00
Gruss Air Spring Co.	5,000.00	5,000.00	5,000.00
Landowners Ranching Co.	—	4,000.00	4,000.00
Lone Butte Farms	23,993.34	23,993.34	—
Marginal Accounts (Net Equity)	24,153.96	4,981.65	3,921.48
National Dairy Products	—	4,447.68	—
National Royalties	5,000.00	5,000.00	5,000.00
New York Central Ry.	11,671.70	11,671.00	—
N. Y., N. H. & N. Ry. Co.	9,625.00	—	—
Norfolk & Western	25,240.00	25,240.00	25,240.00

	— December 31, — 1930	1931	1932
Nash Motors	—	3,195.00	—
Otis Steel Co.	9,874.50	9,874.50	—
Pacific Indemnity	—	4,000.00	4,000.00
Packard Motor Car Co.	9,260.00	9,260.00	—
Pacific Mutual Life Ins. Co.	19,600.00	19,949.30	—
Penna. Ry. Co.	18,764.25	22,667.75	—
Pine Hills, Inc.	10,000.00	10,000.00	10,000.00
Richfield Oil Company	2,453.75	2,453.75	2,453.75
Ritz Carlton Hotel	3,125.00	3,125.00	3,125.00
Salt River Valley Lands	29,303.42	29,303.42	29,303.42
Southern California Edison	5,685.00	6,033.40	—
So. Glass	7,800.00	4,800.00	4,800.00
So. Pac. Ry. Co.	12,025.00	12,025.00	—
Standard Oil of Cal.	5,522.50	9,005.00	3,695.00
" Indiana	10,535.00	10,535.00	5,267.50
" Ky.	13,726.88	—	—
" N. J.	—	3,482.50	3,482.50
Sundry	1,457.46	896.66	899.51
Transamerica	27,528.20	28,368.62	28,368.62
Utilities Improvement Corp.	—	10,000.00	10,000.00
Union Pac. Ry.	20,235.00	20,235.00	20,235.00
U. S. Steel	18,730.00	—	—
Vine St. Holding Co.	80,444.86	80,444.86	83,719.86
Western Gunite Co.	10,000.00	—	—
Total Stocks	$713,182.93	$600,963.25	$366,345.56
Bonds			
Domestic Corporations	62,329.82	33,420.97	18,667.03
Municipal	57,096.92	47,089.96	138,910.80
Foreign	10,098.78	10,098.78	10,098.78
Oil Leases and Miscellaneous	93,249.55	96,098.60	95,973.60
TOTAL	$935,958.00	$787,671.56	$629,995.77

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Cecil B. de Mille Productions, Inc.

REALTY EXPENSES

	— Calendar Year — 1930	1931	1932
City Realty			
Fernangeles			
Miscellaneous Expenses (No income)	$ 126.41	$ —	$ —
Highland Avenue			
Depreciation	2,269.75	2,269.75	2,269.75
Taxes, etc.	1,486.06	1,623.40	1,169.23
	3,755.81	3,893.15	3,438.98
Income	5,012.62	1,489.46	853.28
Net Income or Loss	1,256.81	2,403.69	2,585.70
Hollywood Blvd.			
Depreciation	1,476.10	1,476.25	2,968.66
Other Expenses	2,336.59	2,674.92	1,530.20
	3,812.69	4,151.17	4,498.86
Income	6,514.85	6,795.00	3,405.04
Net Income or Loss	2,702.16	2,643.83	1,093.82
Iver Ave.			
Miscellaneous Expenses (No Income)	1,081.20	329.83	—
Kingsley Drive			
Depreciation	1,516.54	—	—
Other Expenses	1,021.97	1,662.75	—
	2,538.51	1,662.75	—
Income	3,600.00	1,320.00	—
Net Income or Loss	1,061.49	342.75	—

	— Calendar Year — 1930	1931	1932
Lankershim Syndicate			
Distribution of Profits	214.09	—	—
Laughlin Park			
Depreciation	5,363.46	5,388.00	5,364.67
Taxes and Other Expenses	15,867.80	14,583.79	10,900.10
	21,231.26	19,971.79	16,264.77
Income	8,484.00	7,284.00	6,000.00
Net Income or Loss	12,747.26	12,687.79	10,264.77
Muskogee, Oklahoma			
Miscellaneous Expenses	220.30	—	—
Income	262.65	—	—
Net Income	42.35	—	—
Sunset Avenue (North Side)			
Miscellaneous Expenses	1,426.64	141.44	—
Income	216.66	25.00	—
Net Loss	$ 1,209.98	$ 116.44	$ —

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Adams & Vermont			
Depreciation	$	$ 1,330.16	$ 6,451.03
Other Expenses		3,276.63	9,205.62
		4,606.79	15,656.65
Income		3,693.72	19,721.17
Net Income or Loss		913.07	4,064.52

	— Calendar Year — 1930	1931	1932
Observatory Avenue			
Depreciation	742.20	742.20	742.20
Other Expenses	1,693.10	399.25	384.42
	2,435.30	1,141.45	1,126.62
Income	300.00	1,475.00	—
Net Income or Loss	2,135.30	333.55	1,126.62
Royal Palms Apartments			
Taxes, etc.	3,555.97	85.00	—
Income	2,864.31	—	—
Net Loss	691.66	85.00	—
Sunset Avenue (South Side)			
Taxes, etc.	211.71	—	—
Income	10.52	41.28	—
Net Income or Loss	201.19	41.28	—
Ventura Blvd.			
Taxes, etc. (No income)	193.00	263.63	268.48
Veteran Ave.			
Taxes, etc.	59.53	1.89	52.77
Depreciation	123.80	—	48.10
	183.33	1.89	100.87
Income	25.00	—	129.40
Net Profit or Loss	158.33	1.89	28.53
Vine Street			
Advertising, Taxes, etc.	32.68	372.80	362.59
Income	1,896.24	2,194.98	1,827.80
Net Income	1,863.56	1,822.18	1,465.21

	— Calendar Year — 1930	1931	1932
Western Ave.			
Taxes, etc.	5,012.28	10,681.77	8,914.72
Income	728.07	9,668.46	12,860.54
Net Loss	$ 4,284.21	$ 1,013.31	$ 3,945.82
Glendale			
Depreciation		2,625.00	4,500.00
Other Expenses		3,037.67	4,742.58
		5,662.67	9,242.58
Income		10,739.83	18,358.33
Net Income		5,077.16	9,115.75
Other Properties (net loss)		1,586.92	297.17
Total City Property (Exp. in excess of income)	15,688.08	$ 9,826.32	$ 2,983.27 Gain
			[636]
Country Property			
Taxes	$ 738.66	$ 681.01	$ 599.31
Interest	3,703.44	3,466.78	3,010.01
Insurance	184.79	134.50	98.95
Electricity	280.61	154.35	236.78
Autos, Trucks, etc.	339.66	319.67	434.17
Orchards (Pruning, etc.)	451.05	885.52	203.88
Labor	1,814.66	1,611.66	1,518.00
Depreciation	1,965.84	1,441.52	562.59
Miscellaneous	635.12	460.57	79.05
	10,113.83	9,155.58	6,742.74
Sales—Oranges and Lemons	2,803.61	3,153.01	2,874.75
Loss	7,310.22	6,002.57	3,867.99

	— Calendar Year — 1930	1931	1932	
Pheasantry and Rabbitry				
Labor, Feed, etc.	7,687.17	6,020.90	3,225.32	
Depreciation	881.19	908.69	881.19	
	8,568.36	6,929.59	4,106.51	
Sales of Fowl and Rabbits	3,534.01	2,395.42	394.77	
Loss	5,034.35	4,534.17	3,711.74	
Net Loss Country Property	$12,344.57	$10,536.74	$ 7,579.73	
Net Loss City Property	15,688.08	9,826.32	2,983.27	Gain
Net Realty Expense	$28,032.65	$20,363.06	$ 4,596.46	

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Cecil B. de Mille Productions, Inc.
NOTES AND MORTGAGES PAYABLE
ACCOUNTS PAYABLE

	— December 31, —		
	1930	1931	1932
Notes Payable			
Bank of Italy (Bank of America)	$175,000.00	$ 60,000.00	$40,000.00
Life Insurance Loans	33,090.00	87,828.00	87,828.00
Norge Pacific Company	449.85	——	——
National Cash Register	——	2,010.00	270.00
Security First National Bank	25,000.00	——	58,125.00
Toledo Scale Co.	——	1,990.00	130.00
Vaughn & Co.	——	——	286.00
Mortgages Payable			
Bank of Italy (Ivar Ave.)	7,500.00	——	——
Ralph E. Ford (Western Ave.)	45,000.00	——	——
John A. Hunter (Hunter Ranch)	35,000.00	35,000.00	35,000.00
City of Los Angeles (Bonds)	1,269,04	1,799.60	808.85
J. E. Olmstead (Olmstead Ranch)	12,000.00	8,000.00	8,000.00
Pacific Mutual Life (Laughlin Park)	35,000.00	35,000.00	35,000.00
Security First National Bank (Zens Ranch)	10,000.00	6,500.00	6,500.00
Broadway Income Property (Glendale)	——	34,500.00	29,500.00
Bank of America (Western Ave.)	——	90,000.00	90,000.00
Bank of America (Adams & Vermont)	——	60,000.00	60,000.00
German-American Savings Bank (Wilshire)	——	25,000.00	——
Total Notes and Mortgages Payable	$379,308.89	$447.627.60	$451,447.85
Accounts Payable			
State Franchise Tax	$ ——	$ ——	16,016.88
Belcher Lease	5,000.00	——	——
Celeste School	1,000.00	——	——
Sundry	2,485.06	6,830.75	6,916.51
Harrower Laboratory, Inc.	——	33,000.00	33,000.00
Total Accounts Payable	$8,485.06	$39,830.75	$55,933.39

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CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1930.

Shares	Corporation	Loss	Gain	Net Profit
Holdings				
January				
	Transamerica Rites	$	$ 166.60	$
200	Western Pipe & Steel	1,040.40		873.80
March				
1000	No. Amer. Theatres Pfd.	2,725.00		2,725.00
May				
67	Richfield	1,335.60		1,335.60
June				
200	American Snuff	608.50		
100	Allegheny Corp.	3,156.80		
100	Amer. Smelting	5,426.50		
91	Bank of America	4,305.44		
100	Bohn Aluminum	2,521.50		
100	Chatham Phoenix	821.80		
100	Chicago & R. I.	2,876.50		
100	Erie Ry.	5,761.50		
	Elkonite Trust	30.00		
100	Federal Water Serv.	1,868.20		
200	Gen. Elec. of Eng.	1,126.85		
100	Inland Steel	124.00		
106	Pacific Finance	1,916.27		
100	Pere Marquette	3,364.00		
50	Pittson Co.		35.20	
200	Radio Corp.	10,368.00		
1200	Transamerica		10,191.52	
105	Van de Kamp Bakeries		350.65	
300	Western Pipe & Steel	3,053.10		36,751.59
July				
200	American Snuff	407.00		
100	Chatham Phoenix	796.80		1,203.80
August				
	New York Central	.50		.50

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1930.

Shares	Corporation	Loss	Gain	Net Profit
October				
100	Borg Warner	1,163.40		
100	Chrysler	1,291.80		
350	Fokker Aircraft		151.30	
267	Intercoast Trading	1,720.81		
100	Skelly Oil	2,151.45		
4000	Southern Glass	3,022.80		
100	Standard Oil of N. Y.	1,793.95		
700	Transamerica	443.54		11,436.45
	FORWARD	$ 65,222.01	$ 10,895.27	$ 54,326.74
				[639]
	Brot. Forward	$ 65,222.01	$ 10,895.27	$ 54,526.74
November				
100	Metro. Mtg. Pfd.)			
500	" " Com.)	4,000.00		
633	Richfield Oil Com.	24,039.39		28,039.39
December				
	Internat'l Combustion	.75		
500	Pacific Indemnity		1,146.90	1,146.15
Bonds Par				
May				
$5000.	City of Bev. Hills		104.35	
$2000.	Pasadena Water Wks.	18.28		86.07
June				
$5000.	Chi. Mil. & St. Paul	1,254.55		
$5000.	U. S. Treas. Cert.	7.81		1,262.36
July				
$5000.	Atlantic Gulf & W. I.	230.51		
$5000.	Federal Water Serv.	292.94		
$5000.	Golden States Milk	75.00		
$5000.	Harriman Bldg.	75.00		
$5000.	Transcontinental Oil		388.72	
$7000.	Washington St. Imp.	279.21		563.94
August				
	Mo. Pacific Ry.	.30		.30

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1930.

Shares	Corporation	Loss	Gain	Net Profit
September				
$41,000.	Hidalgo Water Dist. #1		4,050.00	
$46,000.	" " " #9		2,300.00	6,350.00
October				
$7000.	Seaboard Air Line	1,574.50		1,574.50
November				
$5000.	Asso. Gas & Elec.	265.59		265.59
	TOTALS	$ 97,335.84	$ 18,885.24	
		18,885.24		
	NET LOSS INVESTMENT STOCKS AND BONDS	$ 78,450.60		$ 78,450.60

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H. J. BARNESON & CO.
MARGIN ACCOUNT

September				
500	Transamerica	$ 180.00		
200	Vanadium		$ 392.00	
200	United Aircraft		2.00	
600	Vanadium		201.00	
300	Elec. Power & Lite	522.00		
100	Auburn		848.50	
200	Vanadium		642.00	
400	Auburn		3,194.00	
	Interest		15.96	
	Commission	200.00		4,393.46
October				
2	Auburn (Del. ex short)	229.50		
200	Bethlehem Steel		29.50	
300	Transamerica		43.50	
500	Tex. Pac. Land		137.30	
500	Tex. Pac. Land		237.30	
	Auburn Adjustment	100.00		

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1930.

		Loss	Gain	Net Profit
200	United Aircraft		312.00	
100	Westinghouse Elect.		200.50	
200	Vanadium	198.00		
200	Union Carbide		502.00	
200	United Aircraft		612.00	
300	Vanadium	522.00		
300	General Electric		153.00	
200	Vanadium		102.00	
400	Radio	356.00		
400	Vanadium		1,929.00	
200	Elec. Power		627.00	
200	Fox Film		662.00	
200	Vanadium		302.00	
200	Electric Auto		312.00	
300	Amer. & Foreign Pr.	832.00		
100	American Can	61.00		
1000	Vanadium		22.50	
200	Electric Auto		187.00	
100	Gillette		156.00	
400	United Gas	226.00		
100	Coca Cola	51.50		
200	United Gas	175.50		
200	Vanadium	125.50		
200	Gen. Electric	293.00		
200	Westinghouse Elec.	422.44		
500	Vanadium	372.50		
200	Auburn	1,080.72		
100	Westinghouse Elec.	314.72		
	FORWARD	$ 6,262.38	$ 11,822.06	$ 4,393.46

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H. J. BARNESON & CO.
MARGIN ACCOUNT
Continued

	Brought Forward	$ 6,262.38	$ 11,822.06	$ 4,393.46
400	Vanadium	746.00		
100	Elec. Auto Lite	94.00		

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1930.

		Loss	Gain	Net Profit
400	General Elec.	371.00		
200	Vanadium		702.00	
100	Gen. Elec.		26.00	
200	Vanadium		214.50	
	Interest		2.02	
	Commission	1,257.01		357.27
November				
	Div. (Elec. Power)	50.00		
400	Coca Cola		2,566.19	
200	Timkin Roller	388.00		
700	Fox Film	2,408.00		
200	Timkin Roller	938.00		
200	Coca Cola	515.50		
	Interest Dunhill	.77		
300	North American	504.50		
300	Vanadium	1,022.00		
	Interest		19.75	3,240.83
December				
400	North American		1,316.50	
	Interest		5.21	
100	Vanadium		366.00	
300	Byres Pipe		393.00	
300	Briggs		170.50	
200	Gen. Elec.		137.50	
200	U. S. Pipe	356.60		
	Interest	6.89		
	Commission (Chgd. Back)		905.39	2,930.11
	TOTALS	$ 14,920.65	$ 18,646.12	
			14,920.65	
Net Gain—Barneson Margin			$ 3,725.47	$ 3,725.47

H. J. BARNESON & CO.
SPECIAL ACCOUNT

Interest		4.39

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1930.

		Loss	Gain	Net Profit
E. F. HUTTON & CO.				
MARGIN ACCOUNT				
January				
250	Auburn Motors		5,835.00	
100	Canadian Pacific	676.50		
3000	Fox Film	27,970.00		
200	Simmons		4,022.00	
	Rites-Cities Serv.	18.50		
133	Transamerica	41.22		
	Interest	574.70		19,423.92
February				
800	Fox Film		8,813.00	
100	United Aircraft	498.00		
	Interest	75.00		8,240.00
March				
	Interest	140.03		
	Taxes	148.95		288.98
April				
200	Fox Film		3,367.00	
	Interest	118.46		3,248.54
May				
	Interest	180.57		180.57
June				
100	Anaconda	3,897.00		
100	Auburn	8,464.00		
100	Bohn Alumn.	1,219.75		
300	Borg Warner	2,508.70		
100	Consol. Gas	1,189.00		
100	General Motors		159.60	
400	Rio Grande	493.50		
100	St. Paul	1,431.50		
200	Bohn Alumn.	2,863.00		
100	Simmons	644.00		
	Insurance	8.25		

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1930.

		Loss	Gain	Net Profit
200	Westinghouse Elec.		476.00	
100	Atchison		376.00	
100	N. Y. Central		36.00	
200	Ches. & Ohio		172.00	
100	Amer. Telephone		338.50	
	Interest	125.55		21,286.15
	FORWARD	$ 53,286.18	$ 23,595.10	$ 29,691.08

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E. F. HUTTON & CO.
MARGIN ACCOUNT
Continued

	Brought Forward	$ 53,286.18	$ 23,595.10	$ 29,691.08
July				
100	Int. Combustion	1,499.75		
100	American Telephone	924.00		
200	Ches. & Ohio	3,353.00		
500	Radio Kieth	45.00		
100	Skelly Oil	228.50		
200	Standard of Ind.	537.00		
100	Standard of N. J.	1,133.50		
200	U. S. Steel	2,353.00		
200	Westinghouse Elec.	2,824.00		
	Interest		80.03	12,817.72
August				
	Interest	4.02		4.02
September				
	Interest	6.74		6.74
October				
500	Richfield	4,770.60		
	Interest	4.81		
	Interest	6.00		4,781.41

CECIL B. DEMILLE PRODUCTIONS, INC.
PROFIT AND LOSS ON SALE OF STOCKS AND BONDS
DECEMBER 31, 1930.

		Loss	Gain	Net Profit
November				
	Interest	.81		.81
December				
	Interest	10.44		10.44
	TOTALS	$ 70,987.35	$ 23,675.13	
		23,675.13		
NET LOSS ON HUTTON MARGIN		$ 47,312.22		$ 47,312.22

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TOOLE, TEITZEN & CO.
MARGIN ACCOUNT

June				
200	U. S. Steel		372.00	372.00
July				
100	General Elec.	99.00		
300	Vanadium	312.00		
200	General Elec.		277.00	
200	Vanadium		742.00	
200	Consol. Gas	1,378.00		
300	Radio	1,744.50		
200	Union Carbide	1,048.00		
200	Byers Pipe		79.50	
200	Westinghouse Elec.		351.00	
400	Vanadium		191.50	
	Interest		16.76	2,923.74
August				
200	Vanadium		1,032.00	1,032.00
	TOTALS	$ 4,581.50	$ 3,061.76	
		3,061.76		
NET LOSS—TOOLE, TIETZEN MARGIN ACCOUNT		1,519.74		$ 1,519.74

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CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1930.

	Net Loss	Net Gain	
RECAPITULATION			
H. J. Barneson & Co. Margin a/c		3.725.47	
H. J. Barneson & Co. Special a/c	4.39		
E. F. Hutton & Co. Margin a/c	47,312.22		
Toole-Tietzen & Co. Margin a/c	1,519.74		
Stocks held for Investment	81,219.98		
Bonds held for Investment		2,769.38	
TOTALS	$130,056.33	$ 6,494.85	
	6,494.85		
NET LOSS ON SALE OF STOCKS AND BONDS	$123,561.48		$123,561.48

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CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1931

Shs.	Mos.	Corporation Holdings	Loss	Gain
STOCKS				
February				
100		Anaconda Copper		$ 758.00
March				
100		A. T. & S. F. Ry.	$ 7,224.00	
200		Bethlehem Steel	6,420.74	
100		Fox Film		731.00
100		N. Y. New Haven & H. Ry.	654.00	
100		Paramount Publix		856.00
400		Standard Oil of N. Y.	4,748.48	
May				
100		U. S. Steel	6,903.30	

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1931

Shs.	Mos.	Corporation	Loss	Gain
	October			
2529		Golden St. Thea. & Realty		4,490.00
	December			
110		Elias Katz Shoe Co.	11,211.25	—
		Total	37,161.77	6,835.00
			6,835.00	
		Loss	$30,326.77	
		MARGINAL—WALSH, O'CONNOR AND BARNESON		
	January			
100		U. S. Pipe		71.70
200		Vanadium	398.00	
200		United Air	88.00	
100		American Can	36.00	
200		Warner Bros.		172.00
300		General Electric		468.00
200		Colo. Gas & Elec.		137.00
200		Vanadium	413.00	
200		Warner Bros.		122.00
100		"		123.50
100		"		211.00
100		Vanadium	119.00	
300		Warner Bros.		483.00
100		"		161.00
300		Canada Dry	282.00	
200		"	113.00	
400		Elec. Power & Light		524.00
		Interest	9.43	

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1931

Shs. Mos.	Corporation Holdings	Loss	Gain
STOCKS			
February			
200	Foster & Wheeler	590.00	
200	Elec. Power & Light	13.00	
100	Eastman Kodak	714.00	
200	Canada Dry	38.00	
200	Elec. Power & Light	388.00	
200	"		507.00
200	Hupp Motors		204.20
	FORWARD	$ 3,209.43	$ 3,184.40

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MARGINAL—WALSH, O'CONNOR & BARNESON (Continued)

February	Brought Forward	$ 3,209.43	$ 3,184.40
300	Hupp Motors		268.80
200	Col. Phonograph		129.76
100	No. American Co.		46.00
100	Col. Gas & Elec.		81.00
100	Gen. Electric		68.50
200	Col. Graphone		104.76
300	Am. Intl. Co.		343.00
200	Col. Graph.		29.76
300	"		119.64
	Interest	24.85	
	Insurance	.60	
March			
300	Col. Graph.		307.14
300	Maj. H. H. Util.	466.00	
200	Grigsby Grunow	123.00	
300	"	409.50	
400	Col. Graph.	265.48	
200	Radio Co. of A.		92.00
100	Caterpillar	19.00	
200	"		12.00

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1931

Shs.	Mos.	Corporation Holdings	Loss	Gain
STOCKS				
200		"	388.00	
400		Int. Tel. & Tel.	276.00	
		Interest	39.88	
	April			
200		Int. Tel. & Tel.		137.00
		Taxes	15.80	
200		Int. Tel. & Tel.		12.00
200		" " "	188.00	
200		Vanadium	2,143.00	
100		Gen. Electric		43.50
100		Johns Manville	249.00	
200		A. M. Byers		212.00
200		" " "		312.00
200		Johns Manville	765.50	
100		"	946.50	
200		No. American Co.		102.00
		Interest	12.96	
	May			
100		No. American Co.	836.61	
		Commission Reese	905.39	
		Totals	$11,284.50	$ 5,605.26
			5,605.26	
		Loss	$ 5,679.24	

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CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1931

Shs. Mos.	Corporation Holdings	Loss	Gain
	MARGINAL—E. F. HUTTON & COMPANY		
January	Interest	9.12	$
February	Interest	10.68	
March			
100	Loews, Inc.		1,428.50
100	Standard Oil of Ky.	22.90	
	Insurance	8.85	
	Interest	17.91	
April			
100	Auburn		26.00
100	Fox Film	726.50	
100	Loews, Inc.	644.00	
100	Paramount Publix	856.50	
100	"	656.50	
	Taxes	12.00	
	Interest	23.33	
May			
100	Auburn	3,679.00	
100	"		2,031.00
50	"		93.00
	Interest		4.47
June			
50	Auburn	82.00	
	Interest		9.03
July	Interest		4.95
August	"		5.01
Sept.	"		4.81
Oct.	"		4.98

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1931

Month	Corporation	Loss	Gain
Nov.			
100	Nash Motors	1,179.00	
	Interest		6.49
December	"		8.49
	Insurance	1.20	
	Totals	$7,929.49	$ 3,626.73
		3,626.73	
	Loss	$4,302.76	

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HOLDINGS—BONDS

May			
5 M	American Ins. Union	$ 1,462.50	$
December			
5 M	Missouri Pacific Ry.	3,822.50	
20 M	"	13,108.85	
	Municipal		
April			
5 M	L. A. Bridge & Viaduct		175.32
May			
5 M	Calif. State Harbor		273.17
5 M	L. A. Electric Plant	53.11	
June			
10 M	Fresno County Hospital		51.04
Sept.			
5 M	L. A. Water Works	1.56	
10 M	Monrovia Water	11.75	
15 M	L. A. St. Construction	6.45	
10 M	East Bay Municipal	7.09	
	Totals	$18,473.81	$ 499.53
		499.53	
	Loss	$17,974.28	

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1931

RECAPITULATION

Stocks Held for Investment	$30,326.77
Bonds " " "	17,974.28
Stocks on Margin—Barneson	5,679.24
" " " —Hutton	4,302.76
Total Loss on Securities	$58,283.05

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RECAPITULATION

	Loss
Stocks Held over Two Years	$104,775.64
Bonds " " " "	3,001.80
Stocks " less than two years	16,727.73
Bonds " " " " "	2,145.29
Edgerton, King Co. Bond a/c	3,518.30
E. F. Hutton & Co. Margin a/c	15,620.85
TOTAL LOSS ON SECURITIES	$145,789.61

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CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1931

Date Pur.	Stocks Held Over Two Years	No. Shs.	Loss	Gain
	February Sales			
5-17-29	Baltimore & Ohio	100	9,980.00	$
6-12-29	Canadian Pacific	40	1,127.40	
1-2-30	New York Central	16	1,202.34	
9-27-28	Otis Steel	100	8,796.00	
10-24-28	Southern Pacific	100	8,874.00	
8-14-28	Am. Tel. & Teleg.	100	6,097.30	
9-20-28	"	18		58.19
	Insurance		2.10	
	March Sales			
11-1-28	So. Cal. Edison	100	2,472.64	
4-24-29	"	10		18.74
	August Sales			
5-24-29	Chesapeake & Ohio	400	9,346.00	
6-20-29	"	100	2,336.50	
3-10-30	"	200	4,673.00	
12-1-28	Claude Neon	300	1,854.90	
9-17-29	Nat. Dairy Prod.	13	315.24	
10-5-28	Packard Motor Co.	500	7,600.00	
2-17-27	Pacific Mutual	255	12,581.60	
10-10-29	Penn. Ry. Co.	113	8,368.05	
12-31-29	"	113	6,607.31	
5-1-30	"	74	2,662.89	
7-28-26	Standard Oil of Cal.	100	2,514.00	
10-5-28	" Ind.	100	2,888.25	
	Interest		12.20	
	Insurance		1.85	
	Charges		8.00	
	Taxes		31.00	
	October Sales			
6-13-30	Aztec Ranch	45	4,500.00	
			104,852.57	76.93
			76.93	
	Net Deductible Loss on Stock Holdings		$104,775.64	

CECIL B. DE MILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

December 31, 1932

	Bonds Held Over Two Years			
	February Sales			
8-14-28	Int. Tel. & Teleg.	2 M	969.18	
1-16-29	"	3 M	1,496.87	
3-14-29	Sinclair Cons.	5 M	535.75	
	Net Deductible Loss on Bond Holdings		$3,001.80	

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Date Pur.	Stocks Held Over Two Years	No. Shs.	Loss	Gain
	February Sales			
4-17-31	Canadian Pacific	60	$ 1,391.10	
6-19-31	Nash Motors	100	1,516.50	
12-9-30	New York Central	84	7,668.36	
4-18-30	Amer. Tel. & Teleg.	20	1,342.71	
7-7-30	"	23		228.32
	March Sales			
11-19-30	Dunhill Int'l.	200	1,842.00	
4-14-30	So. Cal. Edison	11		20.61
3-30-31	"	13		.95
	August Sales			
11-26-30	Freeport Texas	100	1,358.00	
4-10-31	Nat'l. Dairy Prod.	37	939.44	
6-1-31	"	50	919.50	
			16,977.61	249.88
			249.88	
	Net Deductible Loss on Holdings		$16,727.73	

CECIL B. DE MILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1932

	Bonds Bought and Sold Thru Edgerton, King and Company.			
	February Sales			
12-8-31	S. F. Spring Valley	25 M	4,169.86	
2-9-32	4th Liberty Loan	15 M		14.06
2-16-32	L. A. School Dist	15 M		150.00
2-16-32	L. A. Water	5 M		75.00
2-16-32	City of Vernon	5 M		50.00
9-10-31	Fresno Co. Hosp.	15 M	2,137.50	
	Financing Credit			2,500.00
			$6,307.36	$2,789.06
			2,789.06	
	Net loss on Edgerton, King Co. Bond Account		$3,518.30	
	Bonds—Other Sales.			
	February			
3-27-30	Baltimore & Ohio	3 M	1,230.61	
9-25-30	"	2 M	914.68	
	Net Loss on Other Bond Sales		$2,145.29	

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CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1932

MARGINAL SALES

Month of Sale	Corporation	No. Shs.	Loss	Gain
	E. F. HUTTON & CO.			
January	Amer. Tel. & Teleg. Co.	100	239.00	$
	Nash Motors	100	201.50	
	Interest Cr.			5.90
February	Ches. & Ohio	500		482.50
	Amer. Tel. & Teleg. Co.	200		572.00
	Beth. Steel	100		61.00
	U. S. Steel	100	669.00	
	Beth. Steel	100	239.00	
	"	100	501.50	
	Union Pacific	100		46.00
	Auburn	100		396.00
	Insurance on Steel		.13	
	Premium " "		9.37	
	Interest			8.21
March	Ches. & Ohio	500		2,102.50
	Norfolk & Western	100	14.00	
	Auburn	100		256.50
	Auburn	150	221.50	
	Ches. & Ohio	200		227.00
	Interest			29.55
April	Ches. & Ohio	300		640.50
	Auburn	200	5,357.00	
	Paramount	400	426.00	
	Interest			9.10
May	Paramount	500	2,355.00	
	Ches. & Ohio	200		552.00
	Ches. & Ohio	200		527.00
	Div. C. & O.		312.50	
	Interest			32.85
June	Ches. & Ohio	200		1,252.00
	"	100		588.50
	Transamerica	500	240.00	
	Interest		4.60	
	Balance Forward		$18,320.00	$ 7,789.11

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CECIL B. DE MILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

December 31, 1932

MARGINAL SALES

Month of Sale	Corporation	No. Shs.	Loss	Gain
	Brought Forward		$18,320.00	$ 7,789.11
	E. F. HUTTON & CO. (Continued)			
July	Ches. & Ohio	100		301.00
	Transamerica	500	187.50	
	Interest			15.30
August	Southern Pacific	200		464.00
	Texas Gulf	100		131.00
	Atchison	100		226.00
	Standard Oil Calif.	100		13.50
	"	100		63.50
	Caterpillar	100	268.00	
	Gen. Electric	100	293.00	
	Am. & Foreign Power	100	40.50	
	Caterpillar	100	210.50	
	Atchison	100		351.00
	Sou. Pac.	100		143.50
	"	100		232.00
	"	100		93.50
	Atchison	100		88.50
	Sou. Pac.	100	19.00	
	"	100	6.50	
	Atchison	100		101.00
	Sou. Pac.	100		93.50
	Int. Nickle	200		116.50
	Northern Pac.	200		49.50
	Westinghouse	100		105.50
	Southern Pac.	100		68.50
	Auburn	50		103.50
	Aviation Corp. of Del.	100		983.50
	Westinghouse	100		30.50
	Nat. Cash Reg.	100		19.50
	Continental Can	100	124.00	
	Northern Pac.	100	94.00	
	Western Union	100	86.50	

CECIL B. DE MILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

December 31, 1932

MARGINAL SALES

Month of Sale	Corporation	No. Shs.	Loss	Gain
	Westinghouse	100		93.00
	Div. Cont. Can			12.50
	Ches. & Ohio	200	626.00	
	Interest			.35
September	Westinghouse	100	107.00	
	Atchison	100	4.00	
	Aviation Corp.	1000		1,108.50
	Sou. Pacific	100		126.00
	Auburn	25		23.63
	Houston Oil	100		105.10
	Balance Forward		$20,386.50	$13,052.49

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	Brought Forward		$20,386.50	$13,052.49
	E. F. HUTTON & CO. (Continued)			
September	Paramount	200		8.40
	Ches. Corp.	100		31.00
	Atchison	100		158.50
	Continental Can	100	174.00	
	Westinghouse	100	1,019.50	
	Auburn	25		23.63
	Atchison	100		108.50
	Northern Pac.	100		68.50
	Southern Pac.	100		13.50
	Timpkin	200	300.50	
	Steel	100		8.50
	Bendix	100		119.50
	Texas Gulf	100	71.50	
	United Aircraft	100	1,046.50	
	Southern Pacific	100		101.00

CECIL B. DEMILLE PRODUCTIONS, INC.

PROFIT AND LOSS ON SALE OF STOCKS AND BONDS

DECEMBER 31, 1932

MARGINAL SALES

Month of Sale	Corporation	No. Shs.	Loss	Gain
	United Aircraft	100	771.50	
	Cast Iron	200	1,098.20	
	Kelvinator	200		94.00
	Bendix	100	443.00	
	Eastman	100	729.00	
	Houston Oil	100	124.90	
	Warner Bros.	300	321.50	
	Southern Pac.	100		88.50
	Southern Pac.	100	149.00	
	Cord	200		114.20
	Atchison	100	251.50	
	Houston Oil	100	18.80	
	"	100		168.70
	Paramount	300		125.10
	Southern Pac.	100		51.00
	"	100		101.00
	Interest		35.91	
October	Aviation Corp.	200		109.20
	Nickle	100	248.00	
	Southern Pac.	200	2,353.50	
	Nat. Cash Reg.	100	418.00	
	Kelvinator	100	203.00	
	Interest		3.70	
November	Interest			1.94
			30,168.01	14,547.10
			14,547.16	
	Loss on Marginal Transactions		$15,620.85	

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CECIL B. DE MILLE PRODUCTIONS, INC.
PROFIT OR LOSS FROM SALE OF REALTY
INCOME FROM CONTRACTS AND ROYALTIES

	Calendar Year 1930	1931	1932
Profit or Loss from Sale of Realty			
Sundry	$ 5,946.92	$	$
South Side Sunset (Cost 3,569.53-S. P. 10,115.75)		6,546.22	
Wilshire & Gale (" 56,520.97 " 27,147.63)			29,373.34
Contracts (Income)			
Metro-Goldwyn-Mayer	175,000.00	100,000.00	
Paramount			50,000.00
Royalties (Income)			
Pictures	40,064.98	(9,949.55	(10,765.15
Stories	1,744.31	(—	(—
Oil (Income)	15,019.50	3,066.15	13,398.41
Sale of "Ten Commandments"	—	—	28,500.00
Totals	$ 56,828.79	$ 13,015.70	$52,663.56

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CECIL B. DE MILLE PRODUCTIONS, INC.

REAL ESTATE AND IMPROVEMENTS

	December 31		
	1930	1931	1932
Kingsley Drive	$ 34,834.71	$	$
Highland Avenue	70,569.25	70,569.25	70,569.25
Sunset Blvd.	65,166.61		
Hollywood Blvd.	96,364.45	96,424.45	92,827.90
Vine Street	22,373.84	23,452.27	23,452.27
Laughlin Park	188,798.64	186,340.64	186,447.64
Ventura Blvd.	3,203.99	3,028.99	3,028.99
Ivar Avenue	22,759.97		
Craighurst	31,646.91	31,736.56	31,824.77
Observatory Avenue	20,063.99	20,063.99	20,063.99
Western Avenue	118,550.00	186,582.00	186,582.00
Adams & Vermont		145,997.61	143,997.66
Glendale—City		117,347.91	117,347.91
Wilshire and Gale		56,520.97	
Veteran Avenue			2,929.72
Los Feliz Blvd.			27,069.46
Cereghino Ranch	5,020.50	5,020.50	5,020.50
Hunter Ranch	50,496.50	50,520.95	50,520.95
Olmstead Ranch	30,022.00	30,022.00	30,022.00
Wyatt Ranch	33,151.87	33,234.37	33,234.37
Wycoff Ranch	33,121.67	33,146.12	33,146.12
Zens Ranch	34,102.85	34,102.95	34,102.95
	$860,247.85	$1,124,111.58	$1,092,348.45

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PETITIONER'S EXHIBIT NO. 4.

[Endorsed]: Admitted in evidence Dec. 13, 1933.

CECIL B. deMILLE PRODUCTIONS, INC.

MINUTES OF A REGULAR MEETING OF THE BOARD OF DIRECTORS.

Minutes of a regular meeting of the Board of Directors of the CECIL B. deMILLE PRODUCTIONS, INC., a corporation, held at No. 4 Laughlin Park, Hollywood, California, on Tuesday, the 25th day of July, 1922, at the hour of 7:00 O'clock P. M., pursuant to the following written consent and waiver of notice, to wit:

> That we, the undersigned, being all of the Directors of the CECIL B. deMILLE PRODUCTIONS, INC., a corporation hereby give our written consent to the holding of a meeting of the Board of Directors of this organization at No. 4 Laughlin Park, Hollywood, California, on Tuesday, the 25th day of July, 1922, at the hour of 7:00 o'clock P. M., for the purpose of selecting a depositary for the funds of this corporation, and for the purpose of authorizing the execution of checks and drafts for and on behalf of this corporation, and for the purpose of transacting such other business as may come before the meeting, and we hereby waive other and further notice of the time, place and purpose of such meeting.

Dated: Los Angeles, California, July 25th, 1922.

CECIL B. deMILLE (Sgd.)
CONSTANCE A. deMILLE (Sgd.)
ELLA KING ADAMS (Sgd.)
JOHN H. FISHER (Sgd.)
NEIL S. McCARTHY (Sgd.) [659]

PRESENT: Directors, Cecil B. deMille, Constance A. deMille, Ella King Adams, John H. Fisher and Neil S. McCarthy.

ABSENT: None.

The Secretary read to the meeting the minutes of the previous meeting of the Board of Directors, and upon motion duly made, seconded and carried the said minutes were approved, and the acts of the Directors as set forth in said minutes were ratified and approved.

Upon motion duly made, seconded and carried, it was

RESOLVED: That the funds of this corporation be deposited in the COMMERCIAL NATIONAL BANK OF LOS ANGELES, or in the SECURITY TRUST & SAVINGS BANK OF LOS ANGELES, or such other institution as may be selected from time to time by the President of the corporation, and that either CECIL B. deMILLE and/or GLADYS ROSSON, and either CONSTANCE A. deMILLE, ELLA KING ADAMS, JOHN H. FISHER or NEIL S. McCARTHY be, and they are hereby authorized to sign or execute or endorse drafts, checks or notes or other documents, for and on behalf of this corporation and as the act and deed of this corporation.

Upon motion duly made, seconded and carried, it was

RESOLVED: That CECIL B. deMILLE, the President of this corporation, and any one of

the other officers or directors of the corporation, be and they are hereby authorized to do and perform any and all things, which in the judgment of said persons shall be for the best interests of this corporation, and that they be, and they are hereby authorized to conduct and manage the affairs of this corporation from time to time subject to further action by the Board of Directors, and that the action of said persons in so doing, shall be, and the same is in all things hereby ratified and approved.

The Secretary reported that there had been offered for sale in the City and County of San Francisco, State of California the schooner "SEAWARD" and that as it would be necessary for this corporation to use a type of vessel such as the SEAWARD in the next production to be made by the corporation, and as there was a demand for the rental of such a vessel by motion picture [660] companies in and about Los Angeles, that the Secretary after discussing the matter with the President and with the authority of the president of the corporation had gone to San Francisco and had purchased the said schooner "SEAWARD" for the sum of Nineteen Thousand Dollars ($19,000).

Upon motion duly made, seconded and carried, the action of the Secretary in purchasing the said vessel, with the authority of the President was ratified and approved and all expenses incurred in connection with the purchase of said vessel and the return thereof to Los Angeles, was ratified and approved and ordered paid.

Upon motion duly made, seconded and carried, it was resolved that the said vessel be remodeled and refitted in accordance with such plans as should be approved by the President, and any one of the officers of the company, and that a crew be appointed for said vessel and maintained thereon and that said vessel be rented for use in motion pictures or for any other use at such rental as shall be decided upon by the Vice-President, and any one of the other officers of the company.

Upon motion of Mr. McCarthy, seconded by Mr. Fisher, it was resolved that the Vice President, in connection with her other duties, should supervise the business of the corporation and the conduct thereof, and particularly the estimated cost and plans for the production of pictures to be produced by the company from time to time, and the accounting therefor by the Famous Players Lasky Corporation in accordance with the contract assigned to this corporation, the assignment of which was approved by the said Famous Players Lasky Corporation and that reports of the said estimated costs of said productions and of the conduct of the business and affairs of the corporation, should be compiled by the Vice President and reported to the Board of Directors once in each two months, if the progress of the said pictures permits the same. [661]

Upon motion duly made, seconded and carried, it was

RESOLVED: That the salary of the said Vice-President be fixed at 400 dollars per week.

Upon motion of Mr. McCarthy, seconded by Mr. Fisher it was

RESOLVED: That the contract with Cecil B. deMille the president of the corporation, with the Cecil B. deMille Productions, a co-partnership, which said contract was assumed by this corporation with the consent of the said Cecil B. deMille, be, and the same is hereby ratified and approved in all things.

Upon motion duly made, seconded and carried, it was resolved that ELLA KING ADAMS be retained by this corporation as head of the scenario and research department of the corporation and that her salary be fixed at the sum of 300 dollars per week.

Upon motion of Mr. McCarthy, seconded by Mr. deMille, it was

RESOLVED: That John H. Fisher, in addition to his duties as treasurer of the corporation be and he is hereby employed as supervisor of production at a salary of 100 dollars per week.

Upon motion of Constance A. deMille, seconded by Mr. Fisher, it was

RESOLVED: That Neil S. McCarthy be continued as Secretary and attorney of the company at such salary as shall be fixed from time to time by the President of the corporation and that the President of the corporation be, and he is hereby authorized to pay to the said NEIL

S. McCARTHY from time to time, such amounts, as in the opinion of the said Cecil B. deMille shall be just and proper.

There being no further business to come before the meeting, the same was on motion duly made, seconded and carried, declared adjourned.

NEIL S. McCARTHY (Sgd.)
Secretary.

Approved:
X CECIL B. deMILLE (Sgd.)
President. [662]

PETITIONER'S EXHIBIT NO. 4.

[Endorsed]: Admitted in Evidence Dec. 13, 1933.

CECIL B. deMILLE PRODUCTIONS, INC.

MEETING OF THE BOARD OF DIRECTORS.

Minutes of a meeting of the Board of Directors of CECIL B. deMILLE PRODUCTIONS, INC., a corporation, held at No. 4 Laughlin Park, Los Angeles, California, on the 2nd day of April, 1923, at the hour of eight o'clock P. M. thereof, pursuant to the following written consent and waiver of notice, to-wit:

We, the undersigned, being all of the Directors of CECIL B. deMILLE PRODUCTIONS, INC., a corporation, hereby given our written consent to the holding of a meeting of the Board of Directors of said corporation at No. 4 Laughlin Park, Los Angeles, California, on the 2nd day of April, 1923, at the hour of eight o'clock P. M., thereof, for the purpose of authorizing

the purchase of certain real property by the corporation; for the purpose of accepting an offer to cancel the indebtedness of Cecil B. deMille; for the purpose of releasing the said Cecil B. deMille from complying with a previous offer made to the corporation, and for the transaction of such other business as may come before the meeting, and we hereby waive other and further notice of the time, place and purpose of such meeting.

Dated: April 2, 1923.

CECIL B. deMILLE (Sgd.)
CONSTANCE A. deMILLE (Sgd.)
ELLA KING ADAMS (Sgd.)
JOHN H. FISHER (Sgd.)
NEIL S. McCARTHY (Sgd.)

The Vice-President reported to the Board that an offer had been made to the corporation to sell to it certain land near San Fernando, California at the southwest junction of Lankershim and San Fernando Boulevards, consisting of [663] approximately ninety (90) acres at a price of one thousand dollars ($1,000.00) per acre. The Vice-President outlined to the Board the possibilities of sub-dividing and selling this property, with a suggestion that the portion of the property cornering at the junction of the two boulevards be designated as business property and either held or sold as such. The matter was discussed, and upon motion duly made, seconded and carried, it was

RESOLVED: That this corporation purchase the property referred to by the Vice President, and that the President or Vice President, and the Secretary or Treasurer be, and they are hereby authorized *the* complete the negotiations for the purchase of the said property, and to do any and all things, and execute any and all instruments necessary or proper to carry out and close the said transaction.

Upon motion duly made, seconded and carried, it was

RESOLVED: That the payment of the regular quarterly dividend of two and one-half per cent (2½%) heretofore ordered to be made, be and the same is hereby discontinued and passed.

The Vice President presented to the Board of Directors, a trial balance of the business of the corporation.

The matter of the indebtedness to the corporation of Cecil B. deMille was discussed. It was reported to the Board that it had become impractical to reduce the indebtedness of the said Cecil B. deMille by the transfer from Mr. deMille to the corporation of certain stocks and bonds in accordance with the resolution passed by the Board of Directors at the meeting of September 25, 1922, and that the indebtedness had not been reduced by such transfer, and that such transfer had not been closed.

Mr. deMille offered in lieu thereof to transfer to the corporation the property owned by him in

Laughlin Park, and consisting of approximately ten (10) acres, at and for the price or sum of Two Hundred Twenty-One Thousand Five Hundred Twenty-four dollars and sixty-six cents ($221,-524.66). [664]

The matter was discussed by the Board of Directors, and upon motion duly made, seconded and carried, it was

RESOLVED: That the agreement by Mr. deMille to transfer to the corporation in part satisfaction of his indebtedness to the corporation, the stocks and bonds referred to in the minutes of September 25, 1922, be, and the same is hereby cancelled upon condition that each of the parties are released from any and all obligations thereunder, and

BE IT FURTHER RESOLVED: That this corporation accept from the said Cecil B. deMille the transfer to the corporation of the Laughlin Park property belonging to the said Cecil B. deMille, and consisting of approximately ten (10) acres in satisfaction of the indebtedness to the corporation of the said Cecil B. deMille, which said indebtedness at the present time amounts to approximately One hundred thirteen thousand two hundred fifty nine dollars and eighteen cents ($113,259.18), and that this corporation assume and agree to pay the present existing mortgage against said property amounting to seventy-thousand dollars ($70,-000.00) and that the remaining portion of the purchase price, amounting to $38,265.66 be paid

to Mr. deMille at the rate of five per cent per month, together with interest on all deferred payments at the rate of six per cent per annum from April 1, 1923.

The Vice President reported to the Board the progress of the production to be made by the corporation and to be known as THE TEN COMMANDMENTS and reported among other things that under the general authority granted to him, the President had arranged with the Famous Players Lasky Corporation for an increase in the allowance of the cost of this production, and upon motion duly made, seconded and carried, it was

RESOLVED: That the action of the President in connection with the production known as THE TEN COMMANDMENTS be and the same is hereby approved.

The Vice-President reported that the making of the picture "THE TEN COMMANDMENTS" would decrease the number of pictures which the corporation had originally contemplated making and the matter of the income of the corporation by [665] reason of the making of this picture was discussed, together with the expenses and overhead of the corporation.

Mr. deMille stated that he felt it was advisable to make THE TEN COMMANDMENTS, even though it required additional time and expense and would decrease the number of pictures to be made by the company upon which the guarantee was paid, and that he would be willing to accept less compensation than that provided for in his contract on ac-

count of the corporations so doing, and upon motion duly made, seconded and carried, it was

> RESOLVED: That in consideration of the corporations producing the picture THE TEN COMMANDMENTS, with the additional time which would be required for this production, and the loss of the guarantee of $200,000 for the additional picture which the company would otherwise receive, that the contract of the said Cecil B. deMille be changed, so that the said Cecil B. deMille shall receive as his compensation from the company in lieu of the compensation provided for in said contract the sum of $.....per week, as of the.....day of .....1923.

Mr. deMille voted in favor of the resolution, and agreed that in consideration of the companys producing the picture to be known as THE TEN COMMANDMENTS that the compensation as provided for in the contract should be as stated.

Upon motion duly made, seconded and carried, it was

> RESOLVED: That Gladys Rosson be, and she is hereby elected as the assistant secretary of the corporation.

There being no further business to come before the meeting, the same was on motion duly made, seconded and carried declared adjourned.

NEIL S. McCARTHY (Sgd.)
Secretary.

Approved:
CECIL B. deMILLE (Sgd.)
President. [666]

PETITIONER'S EXHIBIT NO. 4.

[Endorsed]: Admitted in evidence Dec. 13, 1933.

Regular meeting of the Board of Directors of the Cecil B. deMille Productions, Inc., held at No. 4 Laughlin Park, Hollywood, California, on Monday, July 16, 1923, at 7:30 p. m., due notice having been served on each of the Directors in person or by telephone.

There were present:

Cecil B. de Mille;
Constance A. de Mille;
Ella King Adams;
Neil S. McCarthy; and
John H. Fisher;
Gladys Rosson, acting as Assistant Secretary, was also present.

Absent: None.

Mr. de Mille presided.

Minutes of the Directors' Meeting held May 21 were read and approved.

Mr. de Mille reported to the Board that the cost of "THE TEN COMMANDMENTS" had exceeded the sum of One Million ($1,000,000.00) Dollars on June 30, and that he had had some difficulty in securing approval from the New York Office of the Lasky Corporation of the additional expenditure over the estimate, that, on July 7, the total cost had reached One Million One Hundred and One Thousand Five Hundred and Sixty-four ($1,-

101,564.00) Dollars, that Mr. Fisher estimated that the finished cost would be very close to One Million Five Hundred Thousand ($1,500,000.00) Dollars; that, to bring the matter to an immediate decision, he had deemed it advisable to stop work on the production on July 13 and that this action on his part had resulted in obtaining immediate approval from New York, said approval being in the form of authority to [667] complete the picture without specifying a definite figure.

Mr. de Mille further stated to the Board that Lasky Company had reached a point where it was advisable to negotiate a new contract.

After considerable discussion, a motion by Mrs. de Mille, seconded by Mrs. Adams, and unanimously carried, the President was authorized to enter into negotiation for the cancelling of the existing contract between the Productions and the Lasky Company and to see what arrangements could be made for a new contract, preferably based on a percentage of the gross receipts rather than on a percentage of the net receipts.

Mr. de Mille reported that for some time he had been anticipating the possibility of a break between the Lasky Company and the de Mille organization and, for that reason, he had not deemed it advisable to declare a dividend as it might become necessary for the corporation to make its own pictures; that he had requested Mr. Fisher to prepare rough plans for a new studio, and that, until the final decision

was reached in this matter, it was advisable to build up a substantial reserve.

On motion, the meeting adjourned.

CECIL B. deMILLE (Signed)
CONSTANCE A. deMILLE (Signed)
ELLA KING ADAMS (Signed)
JOHN H. FISHER (Signed) [668]

Special meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at No. 4 Laughlin Park, Hollywood, California, on Monday, July 21, 1924, at 7:30 p.m., due notice having been served on each of the Directors in person or by telephone.

There were present:

Cecil B. de Mille;
Ella King Adams; and
Constance A. de Mille.

Miss Gladys Rosson met with the Board and acted as Secretary in the absence of John H. Fisher.

Absent: John H. Fisher.

Minutes of the meeting of June 30, 1924, were read and approved.

Constance A. de Mille reported that the Famous Players have offered to purchase the ½ interest in the motion picture rights to "MEN AND WOMEN" and "LORD CHUMLEY", owned by the Productions, paying Seven Thousand Five Hundred ($7,500.00) Dollars for "MEN AND WOMEN" and Five Thousand ($5,000.00) Dollars for "LORD CHUMLEY."

On motion duly made, seconded and unanimously carried, the proper officers were authorized to execute contracts for the sale of the picture rights to "MEN AND WOMEN" and "LORD CHUMLEY" to the Lamous Players-Lasky Corporation.

On motion, the meeting adjourned.

JOHN H. FISHER, Sec. (Sgd.)
CECIL B. De MILLE (Sgd.)
CONSTANCE A. De MILLE (Sgd.)
ELLA KING ADAMS (Sgd.) [669]

Special meeting of the Board of Directors of the Cecil B. deMille Productions, Inc., held at No. 4 Laughlin Park, Hollywood, California, on Tuesday, September 16, 1924, at 7:30 p.m., due notice having been served on each of the Directors in person or by telephone.

There were present:
Cecil B. de Mille;
Ella King Adams;
John H. Fisher; and
Constance A. de Mille.

Absent:
None.

Mr. de Mille presided.

Mr. Fisher reported that the mortgage and trust deed on the Hollywood Boulevard property, being Lot 7 and part of Lot 8, Morgan's Hollywood Tract, was due,—the mortgage, the 6th of this month, and the trust deed in October; that the two totalled the

sum of 35,300.00; that it had been decided to reduce this indebtedness to $25,000.00.

This piece of property being owned one-half by Mrs. Adams and one-half by de Mille Productions, Inc.

That he had arranged to borrow $25,000.00 from the Bank of Italy for one (1) year at seven (7%) percent and to give security therefor first mortgage on the property.

On motion duly made, seconded and unanimously carried, the President and Secretary were authorized to execute a note for $25,000.00.

On motion duly made, seconded and unanimously carried, the following resolution was adopted [670]

"RESOLUTION AUTHORIZING CORPORATION TO BORROW ON REAL ESTATE."

WHEREAS, it is necessary for this corporation, for the purpose of providing funds for its general corporate purposes, and to carry on its affairs and business, to borrow the sum of Twenty Five Thousand Dollars ($25,000.00); and the Bank of Italy, a corporation, has offered to lend to this corporation the sum hereinabove mentioned upon the terms, conditions and security hereinafter set forth;

BE IT RESOLVED, THEREFORE, That this corporation accept said offer of said Bank of Italy and borrow from the Bank of Italy the said sum of Twenty Five Thousand Dollars ($25,000.00), and that a ssecurity for the repayment of said sum, the President and Secretary of this corporation be and they are hereby authorized, for and on behalf of

this corporation, in its name and under its corporate seal, to execute and deliver to said Bank of Italy, the promissory note of this corporation for the principal sum of Twenty Five Thousand Dollars ($25,000.00), payable in United States gold coin of the present standard of weight, fineness and value, payable one (1) year from date, with interest thereon at the rate of seven per cent (7%) per annum, payable in like gold coin.

And in order to secure the payment of said promissory note to execute and deliver to said Bank of Italy the mortgage of this corporation in favor of and for the benefit of said Bank of Italy, conveying the real property of this corporation hereinafter particularly described and conditioned to secure the payment of said promissory note, and which said promissory note and mortgage shall be in such form and shall contain such covenants, stipulations, agreements and conditions as said Bank of Italy shall require, and as the President and Secretary of this corporation shall approve, and the execution of such prom- [671] issory note and mortgage shall be conclusive evidence of such approval.

The following is a particular description of the real property referred to in this resolution, viz: All that certain lot, piece or parcel of land situated and lying and being in City of Los Angeles, County of Los Angeles, State of California.

> All of Lot Seven (7) and Lot Eight (8) except the West eighty and fifteen hundredths (80.15) thereof, of Morgan's Hollywood Tract, as per map recorded in Book 6, Page 109 of

Maps, in the office of the County Recorder of said County."

There being no other business, the meeting adjourned.

JOHN H. FISHER, Sec. (Sgd.)
CECIL B. de MILLE (Sgd.)
CONSTANCE A. de MILLE (Sgd.)
ELLA KING ADAMS (Sgd.) [672]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at No. 4 Laughlin Park, Hollywood, California, on Monday, September 29, 1924, at 7:30 p.m., due notice having been served on each of the Directors in person or by telephone.

There were present:

C. B. de Mille;
Ella King Adams;
Constance A. de Mille; and
John H. Fisher.

Absent: None.

Minutes of meeting held September 16, 1924, were read and approved.

Mrs. de Mille reported that she had investigated a great many different properties lately hoping to find some very good buys on account of the depression in real estate. That one piece in particular was the old Garstin Studio on Glendale Boulevard which was to be sold at Auction under a Trust Deed on October 4.

The Board took no action regarding this until Mrs. de Mille could investigate further.

Mrs. de Mille also reported that the various interests holding claims of various kinds against the so-called Theatre property on Vine Street had at last gotten together and that the property could be purchased for $1,400.00 a foot.

After considerable discussion, the Directors decided to purchase an undivided one-half interest in this property. Mr. Charles Eyton had already agreed to take the other half.

On motion duly made, seconded and unanimously carried, the following resolution was adopted:

Resolved that this Company purchase an undivided one-half interest in all of Lot 6, the south 25 feet of Lot 5, and the north 10 feet of Lot 7, all in Block 11, Hollywood Tract; and [673] that the President and Secretary are authorized to pay into escrow $5,000.00 (Mr. Eyton paying $5,000.00) at this time and a further sum of $45,000.00 (Mr. Eyton paying like amount) when the Deed and Certificate are ready for delivery; and, further, to execute a note and mortgage to secure same in the sum of $42,000.00, dated August 25, 1924, due 6 months after date with interest at the rate of 7%, in favor of Joseph Weinblatt, making a total paid for the property, $142,000.00.

On motion duly made, seconded and unanimously carried, the President and Secretary were authorized to enter into an agreement with Mr. Eyton, setting forth the ownership of the above property.

Mrs. de Mille stated that, as it was not advisable for the public to know at this time that the property was being purchased by de Mille Productions

the escrow would be opened in the name of Ella K. Adams and that as soon as the deed to Mrs. Adams was recorded the property would be conveyed to the Productions, Inc., and the certificate issued showing the title in the name of the Productions.

On motion duly made, seconded and unanimously carried, the following resolution was adopted:

Resolved that a dividend of 1% on the capital stock of the Corporation, amounting to $4,000.00 be and the same is hereby declared out of surplus earnings of the Corporation payable on October 15 to stockholders of record October 1, 1924.

Mr. de Mille reported to the Board that, under the new contract between the Productions and the Lasky Corporation, he is again assuming the duties of Director General of the Lasky Corporation and head of the Hollywood Studio; that this additional call upon his time has shifted considerably more responsibility and work upon Mrs. de Mille and that he believed she was not receiving proper compensation under the new arrangement. [674]

On motion duly made, seconded and carried, (Mrs. de Mille not voting), the salary of Mrs. de Mille was set at the sum of Seven Hundred ($700.00) Dollars a week, beginning September 30, 1924.

Mrs. de Mille reported to the Board that in connection with clearing up the affairs of the Mercury Aviation Company, and paying the note of that company which had been guaranteed at the Commercial Bank, it was necessary for the Productions to borrow $45,000.00.

On motion duly made, seconded and unanimously carried, Mr. de Mille not voting, the Vice-Presideunt and Secretary were authorized to borrow from Cecil B. de Mille the sum of $45,000.00, and to execute a note, dated September 30, 1924, for that amount with interest at the rate of 6%.

On motion the meeting adjourned.

ELLA KING ADAMS (Sgd.)
JOHN H. FISHER (Sgd.) [675]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at No. 4 Laughlin Park, Hollywood, California, on Monday evening, October 6th, 1924, at 7:30 o'clock, due notice having been served on each of the Directors in person or by telephone.

There were present:

Cecil B. de Mille;
John H. Fisher; and
Constance A. de Mille.

Absent:

Ella King Adams.

Mr. Fisher reported that the mortgage on the property at 1729-31 Highland Avenue, Hollywood, California, was due and payable on October 15, 1924, in the sum of Twenty Thousand ($20,00.00) Dollars; and that it has been decided to reduce this indebtedness to Seventeen Thousand Five Hundred ($17,500.00) Dollars

This property is owned,

1/2 by the Cecil B. de Mille Productions, Inc.,
1/6 by Cecil B. de Mille; and
2/6 by Ella King Adams.

No. 8144

United States

Circuit Court of Appeals

For the Ninth Circuit.

COMMISSIONER OF INTERNAL REVENUE,
Petitioner,

vs.

CECIL B. deMILLE PRODUCTIONS, INC.,
Respondent.

Transcript of the Record

In Three Volumes

VOLUME III

Pages 939 to 1395

Upon Petition to Review an Order of the United States Board of Tax Appeals.

FILED
JUL 11 1938
PAUL P. O'BRIEN

Parker Printing Co., 545 Sansome Street, San Francisco 60—6-30-38

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That he has arranged to borrow $17,500.00 from the Bank of Italy for three (3) years at seven (7%) per cent, and to give security therefor First Mortgage on the above described property.

On motion duly made, seconded and unanimously carried, the President and Assistant Secretary were authorized to execute a note for $17,500.00.

On motion duly made, seconded and unanimously carried the following resolution was adopted: [676]

"RESOLUTION AUTHORIZING CORPORATION TO BORROW ON REAL ESTATE.

WHEREAS, it is necessary for this corporation, for the purpose of providing funds for its general corporate purposes, and to carry on its affairs and business to borrow the sum of SEVENTEEN THOUSAND FIVE HUNDRED DOLLARS ($17,500.00); and the Bank of Italy, a corporation, has offered to lend to this corporation the sum hereinabove mentioned upon the terms, conditions and security hereinafter set forth;

BE IT RESOLVED, THEREFORE, That this corporation accept said offer of said Bank of Italy and borrow from the Bank of Italy the said sum of SEVENTEEN THOUSAND FIVE HUNDRED DOLLARS ($17,500.00), and that as security for the repayment of said sum, the President and Assistant Secretary of this corporation be and they are hereby authorized, for and on behalf of this corporation, in its name and under its corporate seal, to execute and deliver to said Bank of Italy, the promissory note of this corporation for the principal sum of SEVENTEEN THOUSAND FIVE HUNDRED

DOLLARS ($17,500.00), payable in United States gold coin of the present standard of weight, fineness and value, payable three years after date of note and mortgage with interest thereon at the rate of Seven per cent (7%) per annum, payable in like gold coin.

And in order to secure the payment of said promissory note to execute and deliver to said Bank of Italy the mortgage of this corporation in favor of and for the benefit of said Bank of Italy, conveying the real property of this corporation hereinafter particularly described and conditioned to secure the payment of said promissory note, and which said promissory note and mortgage shall be in such form and shall contain such covenants, stipulations, agreements and conditions as said Bank of Italy shall require, and as the President and Assistant Secretary of this corporation shall approve, and the execution of such promissory note and mortgage shall be conclusive evidence of such approval.

The following is a particular description of the real [677] property referred to in this resolution, viz.: All that certain lot, piece or parcel of land situated and lying and being in the City of Los Angeles, County of Los Angeles, State of California.

> Lot Twenty (20) in Block One (1) of the Hollywood Ocean View Tract No. 2, being a subdivision of a portion of the Rancho La Brea, as per map recorded in Book 1 Page 68 of Maps, in the office of the County Recorder of said County."

There being no other business, the meeting adjourned.

JOHN H. FISHER (Sgd.)
C. B. de MILLE (Sgd.)
CONSTANCE A. de MILLE (Sgd.)
ELLA KING ADAMS (Sgd.) [678]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at No. 4 Laughlin Park, Hollywood, California, on Tuesday, December 23, 1924, at 8:30 P.M., due notice having been served on each of the Directors in person.

There were present:

Cecil B. DeMille;
Ella King Adams;
Constance A. De Mille;
Gladys Rosson; and
John H. Fisher.

Absent: None.

Minutes of the Directors' meeting held December 15, 1924, were read and approved.

On motion duly made, seconded and unanimously carried, the following resolution was adopted:

Resolved, that a dividend of one per cent. (1%) on the Capital Stock of the corporation, amounting to $4,000.00 be and the same is hereby declared out of surplus earnings of the corporation, payable January 15th, to stockholders of record January 1, 1925.

Mrs. De Mille informed the Board of negotiations had with Mr. Carpenter in regard to the possible purchase of the Ince Studio; that Mr. Carpenter had originally asked $700,000. for the studio, but

that he had at last, consented to take $615,000.; that Mr. DeMille and certain other members of the organization had gone very carefully through the Ince Studio and had come to the conclusion that it would cost in the neighborhood of $100,000. to make the studio suitable for Mr. De Mille's use; that therefore, Mr. De Mille did not feel that he could pay more than $500,000. for the studio; that Mr. Carpenter had stated they were not willing to consider that price at the [679] present time, that therefore, negotiations had been dropped.

Mr. de Mille reported to the Board that, under the existing contract between Lasky and the Productions, Productions were making all the money, that therefore, the Lasky Company was most anxious to negotiate some other arrangement with the productions and that they would probably desire to make this on the basis of a percentage of the net receipts instead of the gross receipts.

On motion duly made, seconded and unanimously carried, the President and Vice-President were authorized to negotiate with the Famous Players-Lasky Corporation for a new contract or for such changes in the old contract as they deemed advisable. Further, that if they were not successful in their negotiations with the Famous Players-Lasky Corporation they are hereby authorized to enter into contract with Producers Distributing Corporation for the release of the De Mille pictures, and to negotiate with representatives of that company for the forming of a new organization for the productions of pictures and they are hereby authorized to

enter into a new contract with either of the above organizations if they deem it advisable without referring the matter back to the board for further consideration.

On motion, the meeting adjourned.

ELLA KING ADAMS (Sgd.)
JOHN H. FISHER (Sgd.)
Secretary

Approved JOHN H. FISHER (Sgd.) [680]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at No. 4 Laughlin Park, Hollywood, California, on Tuesday, January 6, 1925, at 8:30 p.m., due notice having been served on each of the Directors in person:

There were present:
Ella King Adams;
Gladys Rosson; and
John H. Fisher.

Absent:
Constance A. deMille;
Cecil B. deMille.

Minutes of the Directors' meeting held December 23, 1924 were read and approved.

Mr. Fisher reported that Mr. de Mille had not so far been successful in his negotiations with the Lasky Company, looking to the making of a new contract; that Mr. de Mille had requested by wire that the price of all available studios and other general equipment of buildings, etc., be reported to him

and also that approximate figures of the cost of a new studio to be constructed immediately should be submitted to him; and that, in view of the unsettled situation, it was abvisable to curtail expenses to the best of our ability.

It was moved by Mr. Fisher and seconded by Miss Rosson and unanimously carried that for the present the services of Mrs. Adams be dispensed with.

On motion duly made, seconded and unanimously carried, Mr. Fisher was authorized to make application to the Security Trust & Savings Bank for the loan of $42,000.0 on the so-called Vine Street Theatre property; this money to be used to pay up the present short term loan which is payable on or before the 25th day of February, [681] 1925, and that the proper officer be authorized to execute the note and mortgage necessary to carry this loan to completion.

On motion duly made, seconded and unanimously carried, the action of Mr. Fisher in purchasing a ticket for Mr. Neil S. McCarthy to go to New York in connection with the Company's business was ratified and confirmed.

ELLA KING ADAMS
GLADYS ROSSON
JOHN H. FISHER

Approved: [682]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at No. 4 Laughlin Park, Hollywood, California, on Tuesday, January 20, 1925, at 7:30 o'clock, due notice

having been served on each of the Directors in person or by telephone.

There were present:

Ella King Adams,
Gladys Rosson, and
John H. Fisher.

Absent:

Cecil B. de Mille, and
Constance A. de Mille.

The reading of the minutes of the last Directors' meeting was dispensed with.

Mr. Fisher reported to the Board that the contract between the Famous Players-Lasky Corporation and the Cecil B. de Mille Productions, Inc., had been cancelled and that Mr. de Mille was making arrangements in New York for the forming of a new organization for the production and distribution of his and other pictures; that, in view of this, it was necessary that we immediately take over from the Lasky payroll certain members of his organization.

On motion duly made, seconded, and unanimously carried, the Vice President and Secretary were authorized to employ Bertram Millhauser at a salary of $350.00 per week, and to employ Mrs. Beulah Flebbe at a salary of $300.00 per week if she collaborates, and at $350.00 per week if she works alone on any scenario.

The Secretary was authorized to pay the expenses in the amount of $503.82 to send Bertram Millhauser to New York in connection with the preparation of scenario for "STRONGHEART."

On motion duly made, seconded, and unanimously carried, the Vice President and Secretary were authorized to take over to the Productions payroll other members of the de Mille [683] organization as instructions were received from Mr. de Mille so to do.

On motion duly made, seconded, and unanimously carried, the Secretary was authorized to sell two hundred (200) shares of Famous Players-Lasky stock at ninety-seven (97).

On motion duly made, seconded, and unanimously carried, the proper officers were authorized to execute a note for Ten Thousand ($10,000.0) Dollars and First Mortgage on the Zens Ranch to secure payment of said note to the Security Trust & Savings Bank, and to lift the present Mortgage on the Zens property by paying the Five Thousand ($5,000.00) Dollars into escrow with the Security Trust & Savings Bank, and this money, together with the Ten Thousand ($10,000.00) Dollars obtained from the new loan, being sufficient to pay the Zens mortgage. The Secretary was also authorized to pay the escrow charges and the interest to date of closing of the escrow on the Fifteen Thousand ($15,000.00) Dollars Zens Mortgage.

On motion duly made, seconded and unanimously carried the Vice President and the Secretary were authorized to execute a contract for the purchase of the so-called Ince Studio at Culver City for the total sum of Five Hundred Thousand ($500,000.00) Dollars, payable—

Ten Thousand ($10,000.00) Dollars cash upon the execution of the contract;

Forty Thousand ($40,000.00) Dollars ninety (90) days from that date;

Forty Thousand ($40,000.00) Dollars on the 23d day of December, 1925; and

The balance on or before five (5) years, ending January 23, 1930.

The Vice President and Secretary were also authorized to execute notes in the above amounts for the above specified time with interest at the rate of five and one-half (5½%) per cent; and the Secretary was instructed to spread a copy of said contract on the minutes of the Company. [684]

On motion duly made, seconded, and unanimously carried, the 2nd Vice President was authorized to go to New York and establish connections for the obtaining of material for scenarios, and the Secretary was authorized to pay for her transportation and advance her One Hundred ($100.00) Dollars for expense money and to pay additional expense money as required.

The telegraphic resignation of Constance A. de Mille as a Director of the Company was read to the Board, and, on motion duly made, seconded, and unanimously carried, was accepted.

On motion duly made, seconded, and unanimously carried, I. F. Dawson was elected a Director to fill the vacancy caused by the resignation of Constance A. de Mille.

On motion, the meeting adjourned.

ELLA KING ADAMS
GLADYS ROSSON
JOHN H. FISHER

Approved: [685]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at #4 Laughlin Park, Hollywood, California, on Monday, February 17, 1925, at 7:30 P. M., due notice having been served on each of the Directors in person, by telephone or by mail:

There were present:

Cecil B. de Mille
I. F. Dawson
Gladys Rosson
John H. Fisher.

Absent:

Ella King Adams.

Minutes of the Directors' Meeting held January 26, 1925, were read and approved.

Mr. Dawson tendered his resignation as a member of the Board of Directors. On motion duly made, seconded and unanimously carried, the resignation of Mr. Dawson was accepted.

On motion duly made, seconded and unanimously carried, Constance A. de Mille was elected to fill the vacancy caused by the resignation of Mr. Dawson. Mrs. de Mille was present and assumed her duties as a Director.

Mr. de Mille reported that he was very much pleased with the arrangements that were made in New York; that the new company to take over the Ince Studio had been arranged for and that the Studio was to be called "The De Mille Studio;" that releases would be made through the Producers Distributing Corporation, and that very strong finan-

cial arrangements had been made in New York; that as soon as all papers were ready for execution in connection with this new plan, they would be submitted to the Board for its approval.

Mr. Fisher reported that Mr. de Mille wished to purchase the Omstead Ranch in the Little "Tajuenga Canyon, and also the Cereghino Ranch lying between the Omstead and the Zans Ranch; that he, Mr. Fisher, had negotiated with Mr. Cereghino and could purchase his twenty acres [686] for $5,000.00; that it was advisable to secure an option on the Omstead Ranch. Therefore, on the 14th day of February he had secured an option from Mr. Omstead, paying the sum of $100.00 for this option for a period of thirty days; that the total purchase price was to be $30,000.00; that we would have to pay $12,500.00 cash for the property, and $2,500.00 in one year, and $15,000.00 in three years, both the loans secured by First Mortgage, and that he had taken upon himself to execute this option.

On motion duly made, seconded and unanimously carried, the action of Mr. Fisher in taking an option on the Omstead Ranch was ratified and approved.

Mr. Fisher reported that the forming of the Vine Street Holding Corporation to take over the so-called Vine Street Theatre property had been completed.

On motion duly made, seconded and unanimously carried, the President and Secretary were authorized to execute a deed conveying Lot 6, and the south

25 feet of Lot 5, and the north 10 feet of lot 7, Block 11, of Hollywood to the Vine Street Holding Corporation, Inc.

On motion, the meeting adjourned.

CECIL B. DE MILLE
GLADYS ROSSON
JOHN H. FISHER, Sec. [687]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at #4 Laughlin Park, Hollywood, California, on Monday, April 12, 1926, at 8:00 P.M., due notice having been served on each of the Directors in person, or by telephone.

There were present:

Mrs. Constance A. de Mille,
Mrs. Ella King Adams,
Mr. John H. Fisher.

Absent:

Mr. Cecil B. de Mille,
Miss Gladys Rosson.

In the absence of the President, Constance A. de Mille called the meeting to order.

Minutes of the Director's meeting held March 29, 1926, were read and approved.

On motion duly made, seconded and unanimously carried, the proper officers were authorized to purchase 200 shares of Bancitaly Corporation stock, and the Secretary was authorized to use this stock as collateral in connection therewith in borrowing sufficient money to make the purchase and to use as additional collateral certificates of 50 shares Banc-

italy and Certificate of 50 shares of Bank of Italy, which was purchased by Mr. de Mille before his departure for the East.

On motion duly made, seconded and unanimously carried the following resolution was adopted; to borrow the sum of $60,000.00:

> RESOLUTION: It is Resolved, by the Board of Directors of the Cecil B. de Mille Productions, Inc., a Corporation, that it is for the best interest of the said Corporation to borrow, from time to time, such sums of money as may be necessary and convenient for the purpose of paying the debts of said Corporation, and of carrying on its business, and Cecil B. de Mille, President, or Constance A. de Mille, Vice-President, and John H. Fisher, Secretary of [688] the Corporation are hereby authorized to borrow money for this Corporation, from time to time, from the FEDERAL TRUST & SAVINGS BANK OF HOLLYWOOD in such amounts and upon such terms as they shall deem proper; and are hereby authorized to make and deliver for and on behalf of said Corporation, and as its act and deed, contracts to pay, and Promissory notes, according to the terms agreed upon by them with said Bank, and to include in such notes and contracts an agreement for the payment of attorney's fees and costs, and to sign the Corporate name to said notes and contracts, and to affix thereto the seal of said Corporation, and also to deposit with and assign to the said bank as collateral security for said

loans, Promissory notes, or other evidences of debt, and personal property of any description belonging to, or held by said Corporation, under such terms and agreements of pledge as shall seem best, and are further authorized to renew, extend, or otherwise change said loans, or substitute or add securities therefor, as they shall deem best, and to receive for the said Corporation the amounts borrowed.

On motion the meeting adjourned.

JOHN W. FISHER
CECIL B. DE MILLE
ELLA KING ADAMS
GLADYS ROSSON [689]

Regular meeting of the Board of Directors of the Cecil B. deMille Productions, Inc., held at #4 Laughlin Park, Hollywood, California, on Tuesday, October 12, 1926, at 8:00 PM, due notice having been served on each of the Directors in person.

There were present:

Mr. Cecil B. deMille
Mrs. Constance A. deMille
Mrs. Ella King Adams
Mr. A. G. King.

Absent:

Miss Gladys Rosson.

Minutes of the Director's meeting held August 16, 1926 were read and approved.

The President advised that he would like to borrow the sum of $90,000.00, from the Productions

for a short period. Upon motion duly made, seconded and unanimously carried, it was:

> RESOLVED: That the President be authorized to loan Cecil B. deMille the sum of $90,000.00, payable upon demand, bearing interest at 4½% payable annually. This loan is to be secured by a personal note of Cecil B. deMille.

The President reported that in submitting the last check for royalties which was received in October, the Famous Players Lasky Company had deducted the sum of $14,272.26, account of Australasian taxes. He advised that the check had been refused and that Famous Players Lasky Company had been advised that the Cecil B. deMille Productions, Inc., expected full payment of royalties based on the gross film rentals without deductions of any kind.

The Secretary called attention to the fact that no salary had been paid to the President since March 7, 1925. Several of the Directors expressed opinion that the President should be paid an accumulated salary from March 1925 to date. The President stated, however, that he had never requested any salary during this period [690] because he felt that this was an extremely critical time for the Corporation and it was necessary to conserve every cent possible in order to build up the cash reserve of the Company. In view of the fact that the cash position of the Company was not in much better shape, he was willing to accept a salary of $500.00 a week, starting October 1, 1926. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That a salary of $500.00 a week be paid the President each and every week starting October 1st, 1926.

The Secretary reported that he had investigated the possibilities of building small houses for sale, and thought that such an operation offered considerable profit without any great risk. He said that he had selected a district between Benton Way and Wilshire Boulevard, West of Doheny Drive, and advised that the idea was to construct a house that would cost with the lot approximately $12,500.00, and would sell for approximately $15,000 gross. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That the President be authorized to purchase a lot in the area between Burton Way and Wilshire Boulevard, West of Doheny Drive, and to construct a house thereon at a total approximate expenditure of $12,500 for the house and lot, and on completion of the house to sell same at the best price that could be secured.

The President advised that an offer had been received from Mr. Van Deinse, accompanied by a check for $5,000 to purchase the three lots designated as lots 9, 10, and 11, just north of the tennis court in the Laughlin Park property for the sum of $32,550.00. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That the President be authorized to sell to Mr. Van Deinse the parcel of land

north of the tennis courts fronting on Los Feliz Boulevard, 231.66 feet, designated as lots 9, 10, and 11, on map of proposed subdivision prepared by Freemont Ackerman, dated March 17, 1926, for the sum of $32,550.00, payable in cash.

[691]

The President reported that Mr. Flebbe had an offer for the purchase of lot #376, Tract 5822, of the Ventura Boulevard property for the price of $1,000 cash, and recommended the sale of this property. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That the President be authorized to sell for $1,000 cash, lot #376, of Tract 5822.

The Secretary reported that there was very little activity in the Rowena Heights and Fernangeles Sub-divisions.

The Secretary reported that he had employed Mr. Shoemaker, an experienced water engineer, to spend an afternoon on the lower ranches in order to determine the possibilities of water development. He advised Mr. Shoemaker stated it would be impossible to build any reservoir on account of the unsuitable character of the soil which would not hold water; also that he would not consider any large expense would be justified in building wells in the lower part of the canyon which could be expected to produce water for domestic purposes; and that for irrigation purposes he thought it would be neces-

sary to depend entirely on the present well and upon such springs as can be developed in the hills.

The Secretary further reported that he had assigned to Thurston the Hunter, Olmstead and Cereghino Ranches, that he had been over this property very carefully with Thurston and that the only possibility of making these ranches self-supporting was to specialize on such crops that would not require irrigation. In addition, to develop the spring water for the irrigation of the citrus orchard on the Hunter Ranch. Upon motion duly made, seconded and unanimously carried, it was

> RESOLVED: That the President be authorized to spend such money as would be necessary to develop the spring on the Hunter Ranch at an estimated expense of $600.00, and to spend an estimated expense of $600.00, and to spend the sum of $1,000.00 for the purchase of seed, equipment, and livestock. [692]

The Secretary further reported that he was still investigating the possibilities of the production of the Zens and Wyatt Ranches and would make further report on these properties at a later meeting.

The president advised that there had been offered for sale to the Corporation lots Nos. 326, 328, 332, and 334, East Colorado St., in Pasadena, with an insured income; an office building on Wilshire Blvd., and West Lake Ave. The President stated that he would be in favor of purchasing one or more of these properties if some of the unimproved properties of the corporation could be applied as the ma-

jor part of the purchase price. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED: That the President and Secretary be appointed a committee of two with full power to act in connection with the purchase of the property located at 326 to 334 Colorado St., Pasadena, and the property at the North West corner of West Lake Ave., and Wilshire Boulevard, improved with a nine story office building.

The President reported that a parcel of improved business property in Compton had been offered to the Corporation at a price of approximately $50,000 with an indicated net income in excess of ten per cent. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED: That the President be given full authority to take such action as might be deemed best for the interests of Cecil B. deMille Productions, Inc., in reference to improved business property in Compton.

The President reported negotiating for the purchase of the piece of the Wyckoff Ranch in Little Tujunga Canyon and would report further on this matter at the next meeting. [693]

The President reported the purchase of various investment securities. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED: That the Board of Directors of the Cecil B. deMille Productions, Inc., approve the purchase of the following:

$5000 Kingdom of Italy Bonds
100 shares of Standard Oil of California
300 Consolidated Royalties
2000 Julian Merger Mines
100 Shares of Standard Oil of Kansas. [694]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at #4 Laughlin Park, Hollywood, California, on Monday, February 14, 1927, due notice having been served on each of the Directors in person or by telephone.

Pres*id*ent:

Mr. Cecil B. de Mille
Mrs. Constance A. de Mille.
Mrs. Ella King Adams
Miss Gladys Rosson

Absent: None.

The minutes of the Director's meeting held January 3rd, were read and approved.

The President recommended the sale of two hundred shares of stock in the Bancitaly Corporation. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED: That Mr. A. G. King, the Secretary, be and he is hereby empowered and instructed to sell through E. F. Hutton & Company two hundred shares of capital stock of the Bancitaly Corporation owned by Cecil B. deMille Productions, Inc., and A. G. King, Secretary, and Gladys Rosson, Assistant Secretary, are hereby empowered and authorized to endorse for the

Corporation the certificates of this stock; and the Secretary is further ordered to instruct Messrs. E. F. Hutton & Company to remit the proceeds of this sale to the Cecil B. deMille Productions, Inc., in the form of a check payable to the said Corporation.

The President reported that although the annual audit was not yet completed, the surplus as of December 31, 1926, was in a neighborhood of $1,075,000.00.

He explained that on account of the situation in New York it was important to reserve the resources of the company as much as possible as it was not unlikely that a large amount of cash might be required on extremely short notice for picture [695] production. He stated, however, that he thought stockholders should have some regular return and recommended that a dividend of five per cent be paid out of the surplus earnings. On motion duly made, seconded and unanimously carried, it was

RESOLVED: That a dividend of five per cent on the capital stock of the Corporation amounting to Twenty Thousand Dollars ($20,000) be and the same is hereby declared on the surplus earnings of the Corporation payable March 1st, 1927, to stockholders on record February 23, 1927.

The Secretary reported that he had an application for a loan to be made on a piece of property on Franklin Avenue just west of Bronson Avenue.

The President suggested that it would be a good plan for the Company to make this loan provided that it was made on a first trust deed with interest at eight per cent and at a discount of two per cent could be taken. Upon motion duly made, seconded and unanimously carried, it was:

> RESOLVED: That Cecil B. de Mille, the President, and A. G. King, the Secretary, be and they are hereby instructed and empowered to lend on behalf of the Cecil B. de Mille Productions, Inc., the sum of Thirty Thousand Dollars ($30,000.00), less a discount of two per cent or Six Hundred Dollars ($600.00) to E. H. Willey and Mary L. Willey, his wife, for a period of three years, said loan to be secured by a note signed by E. H. Willey and Mary L. Willey in the principal sum of Thirty Thousand Dollars ($30,000.00) for a period of three years with interest at eight per cent payable quarterly and to be further secured by a first trust deed by a certificate of title and guaranty from a responsible title company, and by adequate insurance policies covering the property and improvements described as Lots Two and three, Tract #2359 as per map recorded in book 31, page 89 of maps of Los Angeles County; all documents to be issued in the name of the Cecil B. de Mille productions, Inc. [696]

The Secretary further recorded that Mr. George Flebbe, of the Hollywood Corporation, had submit-

ted an offer from Frederick S. Hilpert for Lot #2 in the Laughlin Park tract for Fourteen Thousand Dollars ($14,000) cash. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That the President be authorized to sell to Frederick S. Hilpert and Harriet I. Hilpert, his wife, Lot #2 as shown on map of proposed subdivision prepared by Fremont Ackerman, civil engineer, dated March 17, 1926, after price of Fourteen Thousand Dollars ($14,000), less the usual real estate commission the lot to be paid for by Five Thousand Dollars ($5,000) cash and a second trust deed to run for three years bearing interest at seven per cent in the sum of Nine Thousand Dollars ($9,000) having as security the lot and any house to be erected thereon.

The President stated that he had failed to report to the Board the sale of Lots 9, 10 and 11 in Laughlin Park tract to Mr. F. C. van Deinse at the price of Thirty two Thousand Five Hundred Dollars ($32,500) and asked that the Board confirm the sale. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That the Board of Directors hereby confirm and approves the sale arranged by the President of Lots 9, 10 and 11 as shown on map of proposed subdivision of tract #5708 dated March 17, 1926, prepared by Fremont Ackerman, civil engineer, to F. C. van Deinse and Lulu Mae van Deinse, his wife, at the price

of Thirty Two Thousand Five Hundred Dollars ($32,500) less the usual real estate commission, the lot to be paid for by Seventeen Thousand Two Hundred Fifty Dollars ($17,250) cash and first trust deed to run for three years bearing interest at seven per cent in the sum of $15,000.00 having as security the lot and any house to be erected thereon. [697]

Mr. de Mille advised that his time was so taken up with actual picture production that it was difficult for him to exercise any supervision over the property on Highland Avenue which was owned one-half by him and one-half by the Productions. He stated that he felt the Cecil B. de Mille Productions, Inc., should own this property entirely, and his investment in the property to date was $41 166.65, less his one-half of the encumbrance on the property amounting to $8,750.00, leaving him an equity of $32,416.65. He stated that he was willing to sell his equity to the Cecil B. de Mille Productions, Inc., for the sum of $33,000.00 cash. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That the Cecil B. de Mille Productions, Inc., would accept Mr. de Mille's offer to sell his equity in the property and improvements described as Lot 20, Block 1, Hollywood Ocean View, tract #2 as per map recorded in Book 1, page 68 of maps, Los Angeles County, California; and that Mr. de Mille as President, and A. G. King, as Secretary of the Cecil B. de Mille Productions, Inc. be and they are hereby

authorized to purchase the property above described on behalf of the said corporation of the sum of $33,000.00 cash to be paid to Cecil B. de Mille, and that the said President and Secretary are further authorized to assume the encumbrance of $8,750.00 against the property for which Mr. de Mille is now personally allowed.

The President further advised that he had up to this time failed to advise the Directors of a proposition received from Mr. Flebbe for the purchase of the property on Ventura Boulevard owned jointly by the C. B. de Mille Productions Inc., and the William C. de Mille Productions Inc. He stated that Mr. Flebbe had on August 1918, asked for six months' option without pay on the Ventura Boulevard lots at a price of $19,000.00 net to the owners. He stated that he had agreed to this and that up to this time Mr. Flebbe had sold over [698] half of the property. He asked the Board to confirm this agreement. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. de Mille, President, and A. G. King, Secretary, be and they are hereby authorized on behalf of the Cecil B. de Mille productions, Inc., to sell through George Flebbe, the interest of the Cecil B. de Mille Productions, Inc., in the property on Ventura Boulevard, consisting of seventeen lots in tract #5822 at one-half the price of $19,000.00 for the entire property upon the past terms and

conditions they may secure, and that this authority remain in force as long as said President and Secretary shall see advisable.

There being no further business the meeting adjourned.

CECIL B. de MILLE
GLADYS ROSSON
ELLA KING ADAMS
A. G. KING [699]

Regular meeting of the Board of Directors of the Cecil B. de Mille Productions, Inc., held at #4 Laughlin Park, Hollywood, California, on Monday, March 7th, 1927, due notice having been served on each of the directors in person or by telephone.

Present:

Mr. Cecil B. de Mille,
Mrs. Constance A. de Mille,
Mrs. Ella King Adams,
Miss Gladys Rosson,
Mr. A. G. King.

Absent:

None.

The minutes of the Director's meeting held February 14th, were read and approved.

The President reported that he had an offer to sell Lot #3 in proposed sub-division of the Laughlin Park Tract to Paul A. Granger, at a price of $13,000 cash, less a sales commission of 7½%. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That the President be authorized to sell to Paul A. Granger, and Margaret Granger, his wife, Lot #3 as shown on map of proposed subdivision prepared by Freemont Ackerman, civil engineer, dated March 17, 1926, after price of $13,000 cash, less 7½% sales commission.

The Secretary recommended the sale of One Thousand shares of Julian Petroleum stock. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. de Mille the President and A. G. King, the secretary, of this Corporation, be and they are hereby authorized to sell one thousand (1000) shares of Julian Petroleum Preferred stock, when and at what price may seem to them most advisable; and that Cecil B. de Mille and A. G. King are hereby authorized to endorse the certificates of said stock in behalf of such corporation. [700]

The Secretary reported that there had been a call for the Northern Pacific stock, account of the consolidation of the Northern Pacific and Great Northern Railroads, for which we would receive new certificates of the new consolidation: Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. de Mille, President, be, and he is, hereby authorized to deliver to Messrs. E. F. Hutton and Company, to a committee in charge of the consolidation of the

Northern Pacific and Great Northern Railroads, for deposit pending such reorganization, 200 shares of stock in the Northern Pacific Railway, belonging to the Cecil B. de Mille Productions, Inc.; and that Mr. Cecil B. de Mille, President, and Mr. A. G. King, Secretary, be, and they are, hereby authorized to endorse the certificate of stock for this purpose.

The President reported that he had just examined the 1926 annual report of the Standard Oil Company of Kansas; that the report was unsatisfactory, and the outlook unfavorable, and that he recommended disposing of One hundred (100) shares of stock in this company, which is owned by the Productions. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. de Mille, the President, be, and he is, hereby authorized to sell through E. F. Hutton & Company One hundred shares of Standard Oil of Kansas, owned by Cecil B. de Mille Productions, Inc., and A. G. King, Secretary, and Gladys Rosson, Assistant Secretary, are hereby empowered and authorized to endorse for the Corporation the certificates of this stock; and the Secretary is further ordered to instruct Messrs. E. F. Hutton & Company to remit the proceeds of this sale to the Cecil B. de Mille Productions, Inc., in the form of a check payable to the said Corporation.

The President reported that Mr. George H. Flebbe had asked him to guaranty a loan, or loans, in the aggregate sum not to exceed $30,000 in favor of the Bank of Italy. Upon motion duly made, seconded and unanimously carried, it was

RESOLVED: That the Cecil B. de Mille Productions, Inc., a corporation, guarantee the payment of a note, or notes, in accordance with their respective terms, in the aggregate sum not to exceed $30,000 of George H. Flebbe, or any renewal or [701] extensions thereof, in favor of the Bank of Italy, its successors or assigns, and

That the said Bank of Italy of Los Angeles be and it is hereby authorized to loan or advance money on the said note or notes of George H. Flebbe in reliance upon the said guarantee hereby authorized, until written notice of the revocation of said guarantee be delivered to the said bank

AND FURTHER, that the President and the Secretary, or any Assistant Secretary, be, and they are hereby authorized and empowered to endorse said note or notes as herein authorized.

The President reported that negotiations in New York for the formation of the new company was proceeding very satisfactorily; that Mr. McCarthy was in New York arranging the new contract, and he would soon be in a position to lay these matters in detail before the Board of Directors. The President stated that in the formation of the new merger there would probably be opportunities to acquire ad-

ditional rights, stock, and equities, at low prices, and that he anticipated that there would shortly be an opportunity to acquire investment stock at low prices. For this reason he recommended that credit be arranged for a loan of Two Hundred and Fifty Thousand Dollars ($250,000), and that he be authorized to borrow the sum for the company, when and at such times as might seem advisable. Upon motion duly made, seconded and unanimously carried, it was:

> RESOLVED: That Cecil B. de Mille, the President, and A. G. King, the Secretary, be and they are hereby authorized to borrow from the Bank of Italy the sum of $250,000, when and at such times as may seem to them most advisable and to the best interests of Cecil B. de Mille Productions, Inc.

The President deemed it advisable to carry an account with H. J. Barneson & Co., for the purpose of purchasing and trading in stocks & bonds, and for the trading on margin. Upon motion duly made, seconded and unanimously carried, it was:

> RESOLVED; That Cecil B. de Mille, the President of this corporation, be and he is hereby authorized and empowered to open an account with H. J. Barneson & Co., 1306 Stock Exchange Building, Los Angeles, or elsewhere, to purchase thru them for cash or on a marginal basis, stocks, bonds or other securities, or to sell thru them for cash, or on a marginal basis,

stocks, bonds or other securities which are now owned or which may hereafter come into the possession of this corporation for such price and on such terms and conditions as he may in the exercise of his judgment deem for the best interests of this corporation; and

BE IT FURTHER RESOLVED: That the President of this corporation take such steps and do such acts and things as shall be necessary to carry out the intent of this resolution in all its particulars, and

BE IT FURTHER RESOLVED: That this corporation hereby makes, constitutes, and appoints Cecil B. de Mille, A. G. King, Gladys Rosson, our agents and attorneys-in-fact for us and in our name and for our account to buy and sell on margin or otherwise and generally trade in stocks, bonds, and commodities, through H. J. Barneson & Company brokers.

There being no further business the meeting adjourned.

CECIL B. deMILLE
GLADYS ROSSON
ELLA KING ADAMS
A. G. KING [703]

Special Meeting of the Board of Directors of Cecil B. de Mille Productions, Inc. held this 18th day of April, 1928 at the hour of 5:15 P. M.

Present: Mr. Cecil B. de Mille
Mrs. Constance A. de Mille
Miss Cecelia Hoyt de Mille
Mrs. Ella King Adams
Miss Gladys Rosson
Mr. Arthur G. King

The Secretary presented to the Board a certain Agreement, and supplements thereto, dated April 18, 1928, providing for the termination of an Agreement heretofore entered into as of the 11th day of April, 1927 between Pathe Exchange, Inc., Cecil B. de Mille Pictures Corp., Cecil B. de Mille Productions, Inc. and Cecil B. de Mille.

The contents of said documents were made known to the members of the Board who discussed the same and upon motion duly made, seconded and carried, it was:

RESOLVED: That the Agreement as presented to the Board be approved and that the Agreement of April 11, 1927 be terminated in accordance with the terms thereof; and that the President and Secretary of this Corporation be, and they are hereby authorized to execute the said Agreement as of the 18th day of April 1928, for and on behalf of this Corporation.

Upon motion duly made, seconded and carried, it was:

RESOLVED: That the President of this Corporation arrange, through any of the mem-

bers of the Board of Directors or such other persons as he may see fit to employ, for the rental and use of the properties described in "Exhibit A" of the said Agreement of April 18, 1928, from time to time and upon such terms as to the persons shall seem advisable.

Upon motion duly made, seconded and carried, it was:

RESOLVED: That whereas this Corporation consented to Cecil B. de Mille performing his services as a director of motion pictures for Cecil B. de Mille Pictures Corp. as described in said Agreement dated April 11, 1927 and referred to in previous resolutions, and whereas said Agreement is now terminated, that a new Agreement for the employment of said Cecil B. de Mille by this Corporation on the same terms and conditions which heretofore existed, be made and that the salary to be paid to said Cecil B. de Mille shall be the sum of $2,500.00 per week and that said Agreement shall contain such other terms as shall be provided by the attorney for the Company, and the same is hereby authorized. [704]

There being no further business to be brought before the Board, the meeting adjourned.

ELLA KING ADAMS
GLADYS ROSSON
CECIL B. deMILLE
A. G. KING [705]

Special Meeting of the Board of Directors of Cecil B. de Mille Productions, Inc., held on the 1st day of May, 1928, at the hour of 9:00 P. M. at No. 4 Laughlin Park, Hollywood, California.

Present: Mr. Cecil B. de Mille
Mrs. Constance A. de Mille
Mrs. Ella King Adams
Mr. A. G. King
Miss Cecelia H. de Mille
Miss Gladys Rosson

Absent: None.

The President explained to the meeting that under the terms of his agreement, dated April 18, 1928, with Pathe Exchange, Inc., he would not draw a salary after April 30, 1928. Mr. deMille further stated that it was necessary for him to carry a number of duties; that he required a compensation of Three Thousand Dollars ($3,000.00) a week and that he felt that the financial condition of the Company was such that it was in position to pay him this compensation until arrangements were concluded either with Pathe Exchange, Inc. or some other corporation, which would provide for the payment of a salary to him.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That effective May 1, 1928 and continuing until further notice, a salary of Two Thousand Five Hundred Dollars ($2,500.00) per week in addition to the present salary of Five Hundred Dollars ($500.00) paid by Cecil B.

de Mille Productions, Inc. to Cecil B. de Mille, making a total salary of Three Thousand Dollars ($3,000.00) per week, be paid to Cecil B. de Mille in full compensation for his services as President of Cecil B. de Mille Productions, Inc.

There being no further business, the meeting adjourned.

Approved:

CECIL B. de MILLE
President

A. G. KING
Secretary

DIRECTORS: ELLA KING ADAMS
GLADYS ROSSON [706]

MINUTES
OF
SPECIAL MEETING OF THE
BOARD OF DIRECTORS
OF
CECIL B. DE MILLE PRODUCTIONS, INC.

Held: June 16, 1930.

We, the undersigned, directors of CECIL B. DE MILLE PRODUCTIONS, INC., hereby give our consent to the holding of a special meeting of the Board of Directors, of CECIL B. DE MILLE PRODUCTIONS, INC., at 2000 deMille Drive, Laughlin Park, Hollywood, California, on the 16th day of June, 1930, at the hour of 9: o'clock P. M. thereof, for the purpose of discussing the present

condition of this corporation, its properties; its various holdings, the present contract with Metro-Goldwyn-Mayer Studios for the production of pictures, and particularly its expansion into the field of acquiring and cultivating of lands in Arizona; and such other things as may be of advantage for discussion to the best interests of this corporation.

Dated: June 16, 1930, at Hollywood, California.

CECIL B. de MILLE
CONSTANCE A. de MILLE
CECILIA de MILLE CALVIN
A. G. KING
ELLA KING ADAMS
GLADYS ROSSON

A special meeting of the Board of Directors of CECIL B. DE MILLE PRODUCTIONS, INC., was held on the 16th day of June, 1930, at 2000 deMille Drive, Laughlin Park, Hollywood, Cal., at the hour of 9: o'clock P. M., said meeting being held pursuant to call by telephone, and the foregoing written consent and waiver of notice by mail, signed by all the directors. [707]

The minutes of the last meeting were read and approved.

The meeting was called to order by the president who also acted as chairman of the meeting. Miss Rosson acted as secretary and performed the duties of said office.

The secretary then called the roll, which was presented as follows:

Present: Cecil B. deMille
Constance A. deMille
Cecilia deMille Calvin
Ella King Adams
Gladys Rosson
Absent: A. G. King.

The Chairman opened the meeting by a discussion as to the general business conditions throughout the country. He stated that in his opinion conditions were serious and that every precaution must be taken and a policy of rigid economy be enforced and maintained by all in the interests of this corporation; that each person was dependent upon the success of this organization for his welfare; that while he, as president of this corporation, would recommend retrenchment of every dollar possible, the corporation was at the same time in very good shape with its liabilities almost nil, and its assets in the main very liquid.

The Chairman also called to attention the situation of the stock market; also that while the motion picture stocks had been among the strongest acting on the market, the theatres throughout the country are making very poor reports, and there has been considerable evidence of selling off among all the amusement stocks in the past few days. [708]

Mr. deMille then stated that he would like to receive opinions from the board as to whether or not they would advise him to start negotiations with

Metro-Goldwyn-Mayer for the making of pictures, over an additional length of time or whether he should seek connection elsewhere. Also as to whether or not he should continue an affiliation with a corporation of the strength and standing of Metro-Goldwyn-Mayer or Paramount, or approach one of the lesser corporations like Universal, or R-K-O which would be a better connection financially.

Director Cecilia deMille Calvin then stated that in her opinion Mr. deMille's standing in the industry was such that he should not seek an affiliation with any motion picture company other than those of the highest standard such as Metro-Goldwyn-Mayer or Paramount, and that she felt with the practically assured success of "MADAM SATAN"—that this would be a very good time for Mr. deMille to approach Mr. Mayer with the idea of working out a new agreement.

This matter was taken under advisement and Mr. deMille stated that he hoped to have something definite to report at the next meeting.

The matter of purchasing a certain amount of property at Laughlin Park, on which he would erect a home for his daughter, was brought up by Mr. deMille and he stated he would delay the proposition until the house was completed in order to stake off the adequate amount of land, all of which was agreeable to the board. [709]

The Chairman also told the meeting that the wheat situation was serious, the new crop coming on the market with last year's crop still in the warehouses. This matter was brought up because of the

fact that this corporation had invested to a large extent in farming enterprises and land development and that every effort would be made to make it successful.

After some further discussion regarding general business conditions which the country is now passing thru, Director Ella King Adams suggested that during the period of time between the production of pictures, and while the president, Mr. deMille, was not actually engaged in the making and directing of picture production, that the president's salary be reduced to $1500.00 per week, to be increased to $2500.00 per week at the commencement of actual picture production.

Upon motion duly made by Director Ella King Adams, seconded by Director Constance A. deMille and unanimously carried, it was:

RESOLVED: That commencing with June 9, 1930, the salary of the president of this corporation shall be reduced from $2500.00 per week to $1500.00 per week and to continue at this rate until and beginning four weeks prior to the actual commencement of the production of a picture, when and at which time the salary of the president shall again be increased to $2500.00 per week, to continue during and throughout the period of time while actually engaged in the photographing of the picture, and extending two weeks after such finishing date.

Director Gladys Rosson then opened the discussion and explained to the Board the contingencies contained in the agreement with Metro-Goldwyn-

Mayer in the production of pictures; that the third picture, which would complete this contract, would start in October of this year and that arrangements should be gone into as to the continuation of the present affiliation or making connections elsewhere. [710]

Director Constance A. deMille, brought up the next subject in order, and presented to the board for consideration, the purchase by the corporation from Mr. deMille and Mrs. deMille, property located at 2026-30 Argyle Avenue, Hollywood, on which she had a proposition in conjunction with Judge Edmonds for the building of an apartment house.

Director Cecilia deMille Calvin then made a motion which was seconded by Director Ella King Adams and unanimously carried, and it was—

RESOLVED: That Cecil B. deMille, the president of this corporation, be and he is hereby authorized to purchase from Cecil B. deMille and Constance A. deMille, his wife, the real property located at 2026-30 Argyle Avenue, Hollywood, described as—

N. 12.5 feet of Lot 20; all of Lots 21 and 22 of J. M. Roberts Tract, Los Angeles County.

to be a cash purchase and to represent the total cost, including taxes and other carrying charges expended during the time the ownership of said property was vested in Mr. de Mille, and

That Cecil B. deMille, the president, and A. G. King, the Secretary, be and they are hereby authorized to purchase said property on such terms

mentioned, and to do any and all things necessary to vest the property in this corporation.

Mr. deMille then advised the Board that after numerous conferences between himself, Mr. King, Mr. N. S. McCarthy, the attorney for this corporation, and Miss Rosson, that it had been deemed advisable to form a corporation to be known as PAMLICO, LTD., all of the capital stock of which corporation to be owned and held by this corporation. That PAMLICO, LTD. would handle investments only, such as the one which had been entered into with the Elmer Co., Ltd., and to finance contracts of the California Gunite Construction Co., and Western Gunite Company. **[711]**

In this connection Mr. deMille advised the board that the construction companies have been showing good returns and that he felt this business would continue to be successful.

Upon motion duly made, seconded and unanimously carried, it was—

RESOLVED: That Cecil B. deMille, the president of this corporation, and A. G. King, the secretary, be and they are hereby authorized to proceed with the necessary steps toward incorporating the PAMLICO, LTD., and,

That they be, as such officers, authorized to assign, convey and set over to PAMLICO, LTD., in exchange for stock in said company in an amount equal to the value of the interests so conveyed, the interests of the ELMER CO. LTD., the interest in the Leo D. Jacoby proposition, and such other investments as this corporation now holds in various

other enterprises and which, in the opinion of the president and secretary of this corporation would be deemed advisable to the success and advantage of all concerned.

The president then opened a discussion regarding the vast investments this corporation has been making in the work of acquiring and cultivating of lands in Arizona, and acquiring and holding stock in certain organizations to carry on such land work, such as LONE BUTTE FARMS CO., SALT RIVER VALLEY LANDS, INC., the BOSWELL COMPANY, etc. He stated that our corporation had recently made an investment in the AZTEC RANCHING COMPANY to the extent of $4500.00; together with the investments of J. G. Boswell Co. of $16,500.00 and A. G. King in the amount of $9,000.00, which company would enter into farming operations on certain leased lands in Arizona. [712]

Mr. deMille also advised the board that this corporation had entered into negotiations with one J. L. Hodges at Maricopa County, Arizona, to develop land, and that a company would be formed to be called ALBEMARLE, LTD., and that it was the intention of our corporation to invest a total of $22,500.00, to be outlayed over a period of time.

In this connection Mr. deMille wanted to advise the board that he did not want to extend this corporation too far into the development of land and would probably, after further discussion with Mr. King, recall the extensive investment in this last company and allow only the initial amount of

$1500.00 already paid in, to stand as the total investment.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. deMille, the president, and A. G. King, the secretary, be and they are hereby authorized to purchase from the ALBEMARLE, LTD., stock in the amount of $22,500.00, or such lesser amount as they may deem advisable.

The matter of insuring the life of A. G. King, the secretary and business manager of this corporation, such insurance to inure to and be for the benefit of this corporation, was brought to the attention of the board by Director Gladys Rosson, and Mr. deMille stated that in his opinion a five year term of $100,000.00 would be sufficient.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. deMille, be and he is hereby authorized, for and in behalf of this corporation, to make application to a reputable insurance company for a general policy of insurance on the life of A. G. King, the secretary and business manager of this corporation, in the amount of $100,000.00, such insurance to be for the benefit of this corporation.

A. G. KING
Secretary. [713]

Regular meeting of the Board of Directors of Cecil B. deMille Productions, Inc., held at 2000

deMille Drive, Laughlin Park, Hollywood, California, on Monday, July 7, 1930:

Present: Mr. Cecil B. deMille
Mrs. Constance A. deMille
Mrs. Cecilia deMille Calvin
Miss Gladys Rosson
Mrs. Ella King Adams
Absent: Mr. A. G. King

The minutes of the last regular meeting were read and approved. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. deMille, the president, and A. G. King, the secretary, or Gladys Rosson, the assistant secretary of this corporation, Cecil B. deMille Productions, Inc., be and they are hereby authorized, directed and empowered to borrow from the BANK OF ITALY NATIONAL TRUST AND SAVINGS ASSOCIATION, for and in the name of this corporation, and on such terms as may be agreed to by said officers, such sum or sums of money as, in the judgment of said officers, this corporation may require, provided the aggregate amount of such loans shall not, at any one time, exceed the sum of Five Hundred Thousand dollars ($500,000.00); and said President and Secretary or Assistant Secretary are hereby authorized, directed and empowered to execute in its corporate name, for such moneys so borrowed, and interest, the note or notes of this corporation, and deliver the same to said bank, and said bank is hereby authorized and requested to accept for said moneys so borrowed,

and interest thereon, the said note or notes of this corporation so executed; said officers are further authorized, directed and empowered to execute and deliver to said bank renewal or renewals of said note or notes on such terms as they may agree upon: and

BE IT FURTHER RESOLVED, that said President, and said Secretary or Assistant Secretary be, and they are hereby authorized, directed and empowered to pledge with and deliver to the said bank as security for any such note or notes, and interest, and any renewal or renewals thereof, any property belonging to this corporation, and also from time to time to substitute for said property, or any part thereof, other property to be held on like pledge; and

BE IT FURTHER RESOLVED, that the President, and Secretary or Assistant Secretary of this corporation be, and they are hereby authorized, directed and empowered to execute in its corporate name and deliver to the said bank such pledge agreement or agreements as they may deem expedient, authorizing and empowering said bank, or its assigns, to sell the said security, or any part thereof, or any property of this corporation which may at any time be in the [714] possession of said bank, upon such terms and conditions and at such place or places as the said officers may deem expedient, and the said officers are hereby authorized, directed and empowered to insert in said pledge agreement, or agreements, such waivers of demand, notice, advertisement, and such other waivers, provisions

and stipulations as to them may seem expedient; also to consent that the said security may be held by said bank to secure any other indebtedness due to said bank from this corporation, and generally to enter into any agreement with said bank, and to execute and deliver to it any authority or power of attorney which this corporation might or could enter into, upon and in reference to any subject whatsoever; and

BE IT FURTHER RESOLVED, that the President or Vice-President, and Secretary or Assistant Secretary, of this corporation, be and they are hereby authorized, directed and empowered to discount with said bank, notes payable to this corporation, and acceptances due this corporation, and also any other evidences of indebtedness due this corporation upon such terms as may be agreed to by said officers, and to endorse in the name of this corporation such evidences of indebtedness so discounted by said bank, and to guarantee the payment of the same to said bank; and

BE IT FURTHER RESOLVED, that said bank is hereby authorized to act upon this resolution until written notice of its revocation is delivered to said bank.

RESOLVED FURTHER: That the above resolution cancels and supersedes the resolution of Mar. 7, 1927.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. deMille, the president of this corporation, be and he is hereby au-

thorized to sell thru E. F. Hutton & Co., 100 shares of Transamerica Corporation, capital stock, and,

That Cecil B. deMille, the president, and A. G. King secretary, be and they are hereby authorized to endorse the certificate on behalf of this company.

A. G. KING

Secretary [715]

Regular meeting of the Board of Directors of Cecil B. deMille Productions, Inc., held at 2000 deMille Drive, Laughlin Park, Hollywood, California, on Monday, August 4, 1930:

Present: Mr. A. G. King
Mrs. Constance A. deMille
Mrs. Cecilia deMille Calvin
Miss Gladys Rosson
Mrs. Ella King Adams

Absent: Mr. Cecil B. deMille

The minutes of the last regular meeting were read and approved. Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. deMille Productions, Inc., be and it is hereby authorized to borrow not to exceed $100,000.00 from the Security First National Bank of Los Angeles, Hollywood Office, and

That Cecil B. deMille, President, and Gladys Rosson, Secretary, or A. G. King, Treasurer, be and they are hereby authorized to execute notes or other evidences of indebtedness required by said bank, and

It is further resolved, that Cecil B. deMille Productions, Inc., be and it is hereby authorized to open an account at the Security First National Bank of Los Angeles, Hollywood Office, and that checks on said account will require the signature of any two of the following officers or directors:

Cecil B. deMille.....President
Constance A. deMille...Vice-President
A. G. King.....Treasurer and General Manager
Gladys Rosson.....Secretary and Assistant Treasurer
Cecilia deMille Calvin .Director & Assistant Secretary
Ella King Adams.....Director
Frank E. Calvin.....Assistant to the President

The secretary then submitted an offer from Cecil B. deMille to purchase not to exceed one hundred twenty (120) bonds of Hidalgo County, Texas, Water Control & Improvement District No. 1, reading, as follows: [716]

"August 1, 1930

To—
Cecil B. deMille Productions, Inc.
Culver City, Cal.

Gentlemen:

I hereby offer to purchase from CECIL B. DE MILLE PRODUCTIONS, INC., bonds of Hidalgo County, Texas, Water Control & Improvement District No. 1, in an amount not to exceed One

hundred twenty (120) bonds, and pay for the same at a price of Eight hundred fifty ($850.00) dollars, per bond, plus accrued interest to date of delivery to me.

Yours very truly,

Cecil B. deMille."

The secretary explained that Mr. deMille would not return to his office until after Labor Day, and that payment for the bonds would not be made until he returned, on or about September 4th.

On motion made by Director Ella King Adams, seconded by Cecilia deMille Calvin, it was unanimously:

RESOLVED: That Constance A. deMille, Vice-President, and A. G. King, Treasurer, be and they are hereby authorized, on behalf of this corporation, to sell to Cecil B. deMille, at the price of $850.00 for each $1,000.00 bond, plus accrued interest, all or any part of One hundred twenty bonds of HIDALGO COUNTY, TEXAS, WATER CONTROL & IMPROVEMENT DISTRICT NO. 1, which now are or may come into possession of Cecil B. deMille Productions, Inc., to be paid for by Mr. Cecil B. deMille following his return on or about September 4th; and

The secretary is hereby ordered to spread upon the minutes the offer made by Cecil B. deMille, dated August 1, 1930, to purchase said bonds.

There being no further business to come before the meeting it was adjourned.

GLADYS ROSSON

Secretary [717]

MINUTES
OF
SPECIAL MEETING OF THE
BOARD OF DIRECTORS
OF
CECIL B. DE MILLE PRODUCTIONS, INC.

Held: September 30, 1930.

We, the undersigned, directors of CECIL B. DE MILLE PRODUCTIONS, INC., hereby give our consent to the holding of a special meeting of the Board of Directors of CECIL B. DE MLLE PRODUCTIONS, INC., at 2000 deMille Drive, Laughlin Park, Hollywood, California, on the 30th day of September, 1930, at the hour of 9: o'clock P M thereof, for the purpose of discussing the matter of dividends to be paid, and such other business that may legally come before the meeting.

Dated: September 30, 1930.

CECIL B. deMILLE
CONSTANCE A. deMILLE
CECILIA deMILLE CALVIN
GLADYS ROSSON
ELLA KING ADAMS
A. G. KING
FRANK E. CALVIN

A special meeting of the Board of Directors of Cecil B. deMille Productions, Inc., was held on September 30, 1930, at 2000 deMille Drive, Laughlin Park, Hollywood, Cal. at the hour of 9: P M, said meeting being held pursuant to call by telephone,

and the foregoing written consent and waiver of notice by mail, signed by all the directors.

The reading of the minutes of the last meeting was waived; and the meeting was called to order by the President, who called the [718] roll and found—

Present: Mr. Cecil B. deMille
Mrs. Constance A. deMille
Mrs. Cecilia deMille Calvin
Mr. Frank E. Calvin
Miss Gladys Rosson
Absent: Mrs. Ella King Adams
Mr. A. G. King

The President stated that in view of the acute financial conditions prevailing, he thought that the company should conserve its cash and recommended that the payment of a dividend of only 75 cents per share per quarter, instead of $1.50 per quarter, be made, and continue until such time as financial conditions were improved.

Mr. de Mille felt that dividends should be waived entirely, and that if conditions picked up during the coming year, the company could consider paying extra dividends. He also pointed out the fact that the losses this corporation had sustained and the shrinkage in the market value of many of its holdings made it appear in his opinion, foolhardy to continue paying dividends on the same basis, and asked that the directors give thought to retrenchment wherever possible, and make every effort to put the company in a position to meet whatever contingencies might arise.

The President continued, stating that business conditions throughout the country were extremely bad; that there has been a tremendous shrinkage in the market value of securities generally; that many of the more important companies had found it advisable, and in many instances necessary, to cut dividends, and that a very unstable condition at present existing in the motion picture industry made it well to bend every energy to save every dollar.

The President also called attention of the Board to the fact that the picture on which we are about to embark, THE SQUAW MAN, [719] was the third and final production for which our company had contracted to deliver to Metro-Goldwyn-Mayer, and that no association beyond this had been lined up.

The President stated that he recently had been in a meeting where Elisha Walker, Chairman of the Board of Directors of Transamerica Corporation, had spoken on conditions as he had found them through the country, and from other general conversation of men in banking and manufacturing circles, the President gleaned that it would seem that the period of business depression would probably last for another two years. The President stated, however, that Mr. Walker was more optimistic than this and felt that one year from now would see the turning point, but this opinion was not shared by the majority of business men present.

After further discussion, Frank E. Calvin proposed a motion that the dividend declared and payable on October 1st be cut in half and a dividend of 75 cents per share be paid as of October 1st, 1930.

The motion was seconded by Constance A. deMille and unanimously carried, as follows:

RESOLVED: That the regular quarterly dividend of $1.50 per share on the stock of this corporation, be reduced to half, or at the rate of 75 cents per share, to become effective with the dividend paying date of October 1, 1930, and to continue at the rate of 75 cents per share quarterly until such time as the directors may deem it advisable to place the same back to the regular amount of $1.50 per share, and

That A. G. King, the treasurer, is hereby directed to pay said dividend of 75 cents per share on the stock of this corporation, to all stockholders of record, as of October 1st, 1930.

There being no further business to come before the meeting, it was adjourned.

GLADYS ROSSON
Secretary [720]

MINUTES OF REGULAR MEETING
of
CECIL B. DEMILLE PRODUCTIONS, INC.
Held: November 3, 1930

A regular meeting of the Board of Directors of Cecil B. deMille Productions, Inc., was held at 2000 deMille Drive, Laughlin Park, Hollywood, California, on Monday, November 3, 1930, at 9 p. m.

Present: Mr. Cecil B. deMille
Mr. Frank E. Calvin
Mrs. Constance A. deMille
Mrs. Ella King Adams
Miss Gladys Rosson
Absent: Mrs. Cecilia deMille Calvin

The minutes of the last meeting were read and approved.

The secretary then read a letter addressed to the President and Vice-President of this corporation, dated November 3, 1930, and signed by the Treasurer, which letter called particular attention to the financial conditions and the necessity of conserving the cash resources of the corporation. The letter also suggested that the salaries of the President and Vice President be reduced temporarily.

After a short discussion of the subject matter, the President and Vice President both stated that they were agreeable to a reduction of their salaries until such time as the financial conditions would justify an increase.

Upon motion made by Director Ella K. Adams, seconded by Director Gladys Rosson, and unanimously carried, it was [721]

RESOLVED: That, effective with the week beginning November 3, 1930, the salary of Cecil B. deMille, the president of this corporation, be reduced from $1500.00 to $500.00 per week; and effective with the week beginning November 17, 1930, the salary of Constance A. deMille, the vice president of this corporation, be reduced from $850.00 to $550.00 per week; and that these reductions shall remain in effect until and when the financial conditions of this corporation had improved materially and sufficiently to justify an increase, at which time the matter would be considered by the Board of Directors.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. deMille, the president of this corporation, be and he is hereby authorized to sell 100 shares of Richfield Oil, common stock, and,

That Cecil B. deMille, the President, and Gladys Rosson, secretary and assistant treasurer, be and they are hereby authorized to endorse the certificate on behalf of this company.

Upon motion duly made, seconded and unanimously carried, it was:

RESOLVED: That Cecil B. deMille, the President of this corporation, be and he is hereby authorized to sell 533 shares of Richfield Oil, common stock, and,

That Cecil B. deMille, the president, and Gladys Rosson, secretary and assistant treasurer, be and they are hereby authorized to endorse the certificate on behalf of this company.

There being no further business to come before this meeting it was adjourned.

GLADYS ROSSON,
Secretary [722]

MINUTES
OF
SPECIAL MEETING OF THE BOARD OF DIRECTORS
OF
CECIL B. DEMILLE PRODUCTIONS, INC.

Held: April 30, 1931

We, the undersigned, directors of CECIL B. DEMILLE PRODUCTIONS, INC., hereby give our consent to the holding of a special meeting of the Board of Directors of CECIL B. DEMILLE PRODUCTIONS, INC., at 10202 Washington Boulevard, Culver City, California, on the 30th day of April, 1931, at the hour of twelve o'clock noon thereof, for the purpose of passing a new borrowing resolution with the SECURITY-FIRST NATIONAL BANK

OF LOS ANGELES, and for such other business as may come before the meeting.

Dated: April 30, 1931

Culver City, California.

CECIL B. deMILLE
CONSTANCE A. deMILLE
GLADYS ROSSON
A. G. KING
FRANK E. CALVIN
CECILIA deMILLE CALVIN
ELLA K. ADAMS

A special meeting of the Board of Directors of CECIL B. DEMILLE PRODUCTIONS, INC., was held on the 30th day of April, 1931, at 10202 Washington Boulevard, Culver City, California at the hour of twelve o'clock noon, said meeting being held pursuant to call by telephone, and the foregoing written consent and waiver of notice by mail, signed by all the directors. [723]

The reading of the minutes of the last meeting was waived; and the meeting was called to order by the president who also acted as chairman of the meeting. Miss Rosson acted as secretary and performed the duties of said office.

The secretary then called the roll, which was presented as follows:

Present: Mr. Cecil B. deMille
Miss Gladys Rosson
Mr. A. G. King
Mr. F. E. Calvin
Mrs. E. K. Adams
Absent: Mrs. Constance A. deMille
Mrs. Cecilia deMille Calvin

Miss Rosson stated that on account of Mr. and Mrs. deMille possibly going to Europe for several months this summer, it is necessary to have a new resolution authorizing additional persons to sign notes at the Security-First National Bank of Los Angeles.

Upon motion duly made, seconded and unanimously carried, the resolution set forth below was adopted:

RESOLVED, That any two of the following officers, namely, the President, and/or Secretary, and either one of the following; the Vice-President, or Treasurer or Assistant Secretary, or E. K. Adams, a Director of this corporation are hereby authorized, on behalf and in the name of this corporation, to borrow, from time to time, with or without security, from the SECURITY-FIRST NATIONAL BANK OF LOS ANGELES, California, (hereinafter referred to as the "bank"), such sums of money for such times and upon such terms as may to them seem advisable, not exceeding in the aggregate at any one time the sum of Three Hundred

Thousand and 00/100 Dollars, and to execute notes, drafts, or agreements for the repayment of any sums so borrowed, and to pledge, mortgage, or hypothecate as security for the repayment of any such loans, such property or assets of this corporation as may be required and agreed upon between them and the bank, and to make, execute and deliver any said note or notes and pledge or mortgage in such form or forms and on such terms as may be adopted by or required by the said SECURITY-FIRST NATIONAL BANK OF LOS ANGELES: also to assign, transfer and deliver said personal property in the name of and as the acts and deeds of this corporation; [724] and to pay or discharge the same in accordance with the terms thereof or before maturity if agreeable to said bank; and to renew any such loan in whole or in part until the same is paid in full; and any one of such officers is authorized to arrange by oral agreement and without formal contract for the extension of maturity of any such loan or for like extension of any renewal thereof; and any one of such officers is also authorized on behalf of this corporation, from time to time, to discount or rediscount with said bank, bills receivable owned or held by this corporation, including notes, drafts, trade acceptances, or other paper, not exceeding in the aggregate at any one time the sum of Three Hundred Thousand and 00/100 Dollars, on such terms as such officer

may approve, and to indorse the same and/or guarantee payment thereof on behalf and in the name of this corporation, and said bank may, at any time, apply any money or guarantee payment thereof on behalf and in the name of this corporation, and said bank may, at any time, apply any money or property or deposit held by it belonging to this corporation to the payment of any indebtedness of this corporation to it, direct or contingent, whether due or not due.

RESOLVED FURTHER, That nothing herein contained shall be deemed to affect any authority heretofore or hereafter conferred by this corporation upon any person or persons, officer or officers; that in the event two or more resolutions of this corporation authorizing incurring of indebtedness are concurrently outstanding in different offices of said bank, the provisions thereof shall be deemed to be cumulative; that the authority herein conferred shall continue in full force and effect until written notice of its revocation shall be received by said bank at its banking house at Los Angeles, California, and that a certified copy of these resolutions be delivered to said bank.

There being no further business the meeting was adjourned.

GLADYS ROSSON. [725]

MINUTES OF REGULAR MEETING
OF
CECIL B. DE MILLE PRODUCTIONS, INC.

Held: June 1st, 1931.

A regular meeting of the Board of Directors of CECIL B. DE MILLE PRODUCTIONS, INC., was held at 2000 deMille Drive, Laughlin Park, Hollywood, California, on Monday, June 1st, 1931, at 10 o'clock A M.

Present: Mr. Cecil B. deMille
Mrs. Constance A. deMille
Miss Gladys Rosson
Mr. A. G. King
Mrs. Cecilia deMille Calvin
Mr. F. E. Calvin
Mrs. E. K. Adams

Absent: None.

The reading of the minutes of the last meeting was waived; Miss Rosson acted as secretary and performed the duties of said office.

The president stated that he regretted to advise the Board that the Treasury Department of the Government had rendered against the corporation a deficiency income tax for the years 1924-1928, inclusive, of $1,381,893.93, concerning which he has had several conferences with the corporation's attorney, Neil S. McCarthy, and on his advice with Mr. Mackay of the firm of Dempsey and Mackay, who specializes in the handling of tax cases.

The president is confident that the position and attitude of the Government is unfounded and that a trial of the case should result in a decision in our favor. However, every precaution must be exercised to meet any eventuality.

The Government's action at this time is a very serious matter for the corporation, as it has prevented us from raising money by a general offering of stock to the public, a plan that has been worked over for some time and was ready for execution. The president and secretary have, therefore, been turning their minds to other methods of raising funds, and ask the approval of the Board to an agreement with Mr. A. P. Sutter to promote the financing of one motion picture in a sum not to exceed [726] $1,000,000.00, which sum is to be subscribed by individuals or firms. It is contemplated that the picture be produced in 1932.

The president has further had in contemplation the making of one or more productions on the legitimate stage, and recently, through John C. Flinn, received a proposal that this corporation interest itself in taking over the theatre production activities of the late David Belasco. The president will confer personally with Mr. Flinn and Mr. Ben Roeder, the executor of the Belasco estate in New York and hopes to have something definite to report before the end of June.

The president has also been in conference with representatives of the British International Film Corporation, with studios in London, who propose that this corporation make a picture, personally di-

rected by Mr. deMille, and distributed by them on a percentage basis throughout Europe, and this corporation arrange for its distribution in this country. To this end, the president has instructed the corporation's attorney, Neil S. McCarthy, to negotiate with the United Artists Corporation for such distribution in the United States. Mr. McCarthy has also reported favorable negotiations with the Fox Corporation.

The president has also been approached by the Klaw-Erlanger interests with a view to interesting this corporation in joining the K-E group in making New York productions, directed by Mr. deMille. The president will also confer on this personally in New York in June, and will hope to have something definite to report to the Board before the end of June.

The president wished to explain to the Board that the reason he has been pursuing on behalf of the corporation these interesting proposals is because we have found definite opposition and antagonism to our continuing in the motion picture business, and it may develop that it will be necessary for us to encourage activities in other branches of the corporation's business with such remaining capital as we may have, and with such additional capital as we may be able to raise. We have met with antagonism to every move we have endeavored to carry through. The next few months should tell us whether it is the result [727] of conditions, and if so, it will right itself; but if conditions remedy themselves, and the antagonism to our interests continues, we

will have to realize that it is a definite and concerted movement to eliminate our activities from the motion picture field.

The president has presented to two leading companies in the industry the proposition of producing THE SIGN OF THE CROSS, which he believes at this time would be as sensationally successful as THE TEN COMMANDMENTS, THE KING OF KINGS and BEN HUR, and which could be reasonably made at this time. The executives of each company were most enthusiastic at first, and then appeared strangely lacking in enthusiasm and sympathy with the production.

The president has concluded it necessary to canvass and survey the theatrical and motion picture fields offered in England, France, Germany and Russia, and asks the approval of the Board to an absence of several months while he investigates the legitimate theatrical proposals in New York City. and in England, and seeks others in Germany and Russia. He has engaged Miss Leila Georgia to proceed immediately to Europe to search for dramatic materials and interesting personalities, novel ideas, etc., for which she has been paid in advance the sum of $1,000.00, and will receive an additional 10% of any profits that may accrue to Productions in the event of the sale of any such properties by us prior to production of same.

The president asks to be authorized to expend not more than $75,000.00 without additional authorization by the Board, to cover travelling expenses, the purchase of dramatic properties, scientific devices

for sound and camera equipment, and the possible investment in a motion picture studio, motion picture properties and/or motion picture production and distribution activities in Europe, and such other investments as he may deem advisable.

Upon motion made by Miss Rosson, seconded by Mr. King, it was; [728]

> RESOLVED, that the president be, and he is hereby authorized to expend a sum not to exceed $75,000.00 to cover travelling expenses, the purchase of dramatic equipment, and the possible investment in a motion picture studio, motion picture properties and/or motion picture production and distribution activities in Europe, and such other investments as he may deem advisable.

The president advises the Board of the close of the corporation's production activities for the Metro-Goldwyn-Mayer Corporation, its three years' contract having expired with the completion of THE SQUAW MAN. This production has been previewed twice with most gratifying results and it is expected to be one of our most profitable properties.

The offices of the corporation will take over the president's studio suite at No. 2010 deMille Drive, in Laughlin Park, Hollywood, and continue all its business activities there.

The president has scrutinized every dollar of outgo and feels confident that all expenditures have been cut to a minimum and he cannot too strongly

urge the Board to exercise every precaution in the conservation of its cash and properties.

There are one or two other interesting real estate proposals that would effect an exchange of the Laughlin Park property for productive business income property, and these are being carried on by the secretary and will be reported on from time to time to the Board.

The president has arranged a satisfactory charter agreement with Harold B. Franklin for the rental of the schooner-yacht, SEAWARD, for four months, covering June, July, August and September, for the sum of $10,000.00.

The president has been approached by the Paramount Corporation for the purchase of this corporation's rights in THE TEN COMMANDMENTS; the president has set a price of $50,000.00 on these rights, and he expects to hear definitely on this matter shortly.

The assistant secretary, Mr. Calvin, reported steady progress in his dealing with a Catholic Cemetery interests in selling a portion [729] of the Hunter Ranch for approximately $60,000.00 cash.

The Bank of America has appraised the Western Avenue property and Belcher Building improvement for a loan of $90,000.00 for three years at 6% interest, for which loan the president asks the approval of the Board.

Upon motion made by Mrs. deMille, seconded by Mr. Calvin, it was,

RESOLVED, that the corporation be authorized to borrow from the Bank of America the

sum of $90,000.00 for a period of three years with interest at the rate of 6%. Said loan to be secured by a first trust deed on the Western Avenue property and improvements known as the Belcher Building.

AND, that Cecil B. deMille, the president and Gladys Rosson, the secretary, be and they are hereby authorized to execute such notes and documents as may be required by the Bank of America.

The Bank of America has also offered a loan of $60,000.00 on the West Adams and Vermont Avenue property on which we propose erecting a market building, on which a long term lease has been arranged. This will be a building loan to pay for the construction of the building to cost the sum of $41,500.00, and to cover the cost of the fixtures, on which the bid has not yet been let. The president also asks the approval of the Board on this loan.

Upon motion made by Mr. King, seconded by Mrs. Adams, it was,

RESOLVED, that the corporation be authorized to borrow from the Bank of America the sum of $60,000.00, for a period of three years with interest at the rate of 6%. Said loan to be secured by a first trust deed on the property located at West Adams Street and Vermont Avenue, and to be improved with a market building.

AND, that Cecil B. deMille, the president and Gladys Rosson, the secretary, be and they are

hereby authorized to execute such notes and documents as may be required by the Bank of America.

The president reported that the School Board offered to purchase from the corporation ten feet of Lot Three Hundred Fifty-four of Tract Number Fifty-eight, at a price of $350.00, which would give them the necessary right-of-way for the school children in that district, and as the Treasurer and Secretary felt that this would not detract from the corporation's holdings they asked the approval of the Board to this sale.

Upon motion made by Mrs. Adams and seconded by Mrs. Calvin, it was, [730]

RESOLVED, That Cecil B. deMille Productions, Inc. be and it is hereby authorized to sell at the best price obtainable to LOS ANGELES CITY SCHOOL DISTRICT OF LOS ANGELES COUNTY, real property in the City and County of Los Angeles, State of California, described as follows:

The Easterly ten (10) feet of Lot Three Hundred Fifty-four (354), of Tract Number Fifty-eight Hundred Twenty-two (5822), sheets 1 and 2, as per map recorded in Book 66, pages 64 and 65 of Maps, records of said County, EXCEPTING all minerals, coal, oils, petroleum and kindred substances and natural gas under and in said land.

SUBJECT TO:

(1) All taxes for fiscal year 1931-32, and personal property tax of any former owner, if any;

(2) Conditions, restrictions, reservations, easements, rights and rights of way of record, if any.

IT IS HEREBY further resolved that Gladys Rosson, the Secretary, and A. G. King, the Treasurer, be and they are hereby authorized to execute Grant Deed and to do any and all things necessary to vest the property in the name of the buyer, LOS ANGELES CITY SCHOOL DISTRICT OF LOS ANGELES COUNTY.

The president stated that the corporation's income would be reduced for some time to come and that he thought it important to keep as large an amount of cash available as possible and recommended a dividend of not more than 75¢ a share be paid on the next dividend paying date which is July 1st.

Upon motion duly made, seconded and unanimously carried, it was

RESOLVED, that the regular quarterly dividend of $1.50 per share on the stock of this corporation be reduced to half, or at the rate of 75¢ per share, to become effective with the dividend paying date of July 1st, 1931, and to continue at the rate of 75¢ per share quarterly until such time as the directors may deem it advisable to place the same back to the regular amount of $1.50 per share, and

THAT A. G. King, the treasurer, is hereby directed to pay said dividend of 75¢ per share on the stock of this corporation, to all stockholders of record as of July 1st, 1931. [731]

The President asked Mr. King to report to the Board concerning his eastern trip.

Mr. King stated that he went east primarily to find a buyer for the Hidalgo bonds but found the dealers and public were not buying stocks nor bonds. He spent considerable time with Mr. Knowlton, of the International Manhattan Company, and suggested a plan for putting the bonds in a pool and selling certificates of interest on a 5% basis against 6% bonds on collateral, putting up a surplus of 20 points per bond, with 8 points commission to the securities company, not for public distribution, but to be placed with clients. After arousing considerable enthusiasm on the proposition, Mr. Knowlton advised Mr. King that they would not handle anything but market securities. Mr. Knowlton said however that he would be glad to hear from Mr. King again about the middle of June. Mr. King talked to dealers in Chicago, Detroit, Buffalo and Philadelphia, but the same conditions existed everywhere, no market at this time, but many felt the situation might change rapidly. Conditions in Florida had improved greatly and this reflected a certain amount of optimism in various quarters.

The president inquired as to business conditions in general, to which Mr. King replied that business seemed dead, and *may* people were out of work.

The little flash of improved market conditions in May, was momentary for it slumped off again. Some high grade stocks were being accumulated and Government bonds and City of New York bonds had buyers.

The president asked Mr. King how he found the theatrical situation—both in the legitimate and motion picture fields. Mr. King stated that he had attended several theatres, but they were doing little business, and he saw no crowds.

Mr. King stated to the Board that after covering the east thoroughly, he proceeded to Texas and found both Hidalgo Districts Number 9 and 1 in better shape than Cameron Districts Number 1 and 2. Hidalgo Number 1 had collected 65% of the taxes and expected about 4% more. Our attorney there had followed [732] out the program we outlined on Number 1, making foreclosures on delinquents.

The president asked Mr. King to relate to the Board briefly the deal he had concluded for the Western Gunite Company. Mr. King stated that a working arrangement with three other gunite companies had been made to divide up the work gotten by any of the group into units of $25,000.00 each—the work to be done by the companies in the following named order:

Western Gunite Company, one; Cement Gun Construction Company, two; National Gunite Company, three; and Kansas City Company, four. A general contract would be taken and the work split on this basis to the other companies practically at cost.

All profit from jobs to go into one company called Canal Lining, Inc. Through dividends, each of the four companies would share equally. Central Gunite and National each turned over patents for ditch lining and signed an agreement to pay a royalty of ½% per foot for the use of these patents. Additional patents will be turned over to us and the company will charge royalties to any company doing that type of work. We can set the royalty at any figure. Mr. King insisted on a low royalty.

We can now maintain prices at a level to show a reasonable profit. Bonds have been voted for nearly $13,000,000.00 worth of work in Texas. A great many are new projects. The bonds are speculative. He thinks that within ninety days the dealers will be willing to seriously consider offering the bonds. Allyn and Company will offer District Number 9 bonds within sixty days. They expect to start selling them in sixty days and take six months to sell one and one-half millions of bonds. Then, they would take on District Number 7 and Number 1—but District Number 7 first.

Mr. King also advised the Board that Henry Seay in Dallas, told him that he would take up the forty-eight bonds at the Bank of Manhattan in August if Allyn and Company did not take them.

District Number 1 will take $50,000.00 one-year notes, but cannot meet that much obligations in one year, but if we could sell any substantial part of five year bonds, they would authorize $300,000.00 five year bonds due in 1936. The District can issue interim bonds maturing on or before [733] fifteen

years, but cannot sell any more until they are retired which would limit the bonded debt to $48.00 per acre.

The president asked Mr. King what Productions could anticipate as revenue from the Utilities. Mr. King replied that he estimated a minimum of $25,000.00 per year, but a possibility of increasing it to $40,000.00 this year. He stated that the Arizona road work was working out very well and within the budget. The profit estimated on current work is $15,000.00. Mr. King stated there is a $5,000,000 budget for road work in Arizona in 1932.

With reference to the Salt River Valley and Royal Dairy Products investments, Mr. King stated they had sold four hundred bales at an average price of $9.80 net—and that 7¢ would let them out. He reported that J. G. Boswell thinks we will get between 12 and 13¢ a pound before the year is out.

The president asked Mr. King in what shape he believes the Boswell Company to be and was advised by Mr. King that he believes they are in good shape, and have been very conservative in making loans.

Our representative, Kenneth Lyne, advised Mr. King that collections were coming in fairly well on current sales.

Mr. King states that sales of land in Texas were being made all the time, which led the president to inquire if there were any campaigns on for the sale of Texas lands. Mr. King said that that sort of thing was very well organized in Texas—that agents brought carloads of prospective buyers down from

the northern central states and that after seeing the land, the majority became buyers.

Mr. King stated that he felt Lone Butte would work out all right.

Mr. King said that he had put $30,000.00 himself into the Salt River Valley and Royal Dairy Products projects, and was working with Roger Morehart on a selling plan. The company needed $4,000.00 for taxes which Mr. King loaned them when he was in Phoenix on his way east. He instructed Mr. Lyne to prepare a first mortgage in favor of Productions for all obligations making this company a preferred creditor after Western Group [734] Securities which is secured by a first loan averaging $6.00 per acre.

The president stated that he was not familiar with just what Mr. Lyne's duties consisted of, but believed he was maintained in our employ principally for the purpose of selling our lands. Mr. King stated that in addition to selling, Mr. Lyne made collections and helped look after our farm operations.

The president voiced again his feeling that the Boswell Company should be watched most carefully. He recited that we had been persuaded to invest in that company on the positive and personal assurances of Mr. Boswell that we could not and would not receive less than 10% on our investment—that dividends would be paid and maintained on the Boswell stock, and were protected in such a manner that no matter what the price of cotton, the ginning operations would take care of the 10% dividend. This proposed investment was turned over to Mr. King for investigation, checking and recommendation, as

Mr. King had been present at each conference that the president and secretary had had with Mr. Boswell and Mr. Sherrill of the Boswell Company. Mr. King agreed with every statement made by Mr. Boswell. It was on this assurance and recommendation, that the Productions invested $20,000.00 in the Boswell Company. The Boswell Company has not paid a dividend of any sort and Mr. Boswell seems to regard it as impertinence on our part to have expected dividends. It may become necessary as a minor stockholder to protect our interests through putting the matter in the hands of our attorney to bring suit against Boswell for selling us this stock on gross misrepresentations.

The president stated that he was not kindly disposed toward Mr. Boswell because he feels that Mr. Boswell foresaw disaster ahead and thought it well to get in outside money to enable them to weather the storm and in doing so, took our money, and the money, he believes, of several others, totalling about $300,000.00.

The president asked the Board to keep this in mind and during his absence to take such steps as may be necessary to protect the best interests of the corporation. [735]

The president reported to the Board that he had been advised by Mr. King and Mr. Edgerton that EGERTON, KING & CO., LTD., would unquestionably be a source of revenue and that there was every possibility of the organization growing into a strong securities company.

The president stated that he had given Miss Rosson, the secretary of the corporation, considerable detailed instructions to carry out, that he had discussed at length with her our various investments and outlined to her such items as he felt must be watched most carefully to preserve the interests of the company; he also stated that he had urged her to conserve every penny of expenditure and to use every means at her command to effect collections and to call upon the Board and the corporation's attorney to consider and take action on any and all items that arose during the president's absence.

There being no further business to come before the Board, the meeting was adjourned.

GLADYS ROSSON
Secretary [736]

MINUTES OF REGULAR MEETING OF CECIL B. DEMILLE PRODUCTIONS, INC.

HELD: September 8, 1931.

As September 7th, 1931, the regular meeting date of the Board of Directors of CECIL B. deMILLE PRODUCTIONS was a legal holiday, an informal meeting was held on Tuesday, September 8th, at 10 o'clock A.M. following a call and notice by telephone.

Present:

Mr. A. G. King
Mrs. E. K. Adams
Miss Gladys Rosson
Mr. F. E. Calvin

Absent:

Mr. Cecil B. deMille
Mrs. Constance A. deMille
Mrs. Cecilia deMille Calvin

The minutes of the last meeting were read and approved.

Miss Rosson acted as secretary and performed the duties of said office.

Miss Rosson informed the directors of a report received from Mr. deMille outlining an interesting offer that he had received for the Productions from Eric Hakim, representing a group of leading British capitalists, headed by a gentleman named Mr. Pinto, whose wealth is considerably over ten million pounds.

The contract submitted to Mr. deMille calls for Productions to make three pictures; the contract is cancellable by either party at the termination of the first picture. Productions would receive $100,000. per picture, and a percentage on the first picture of 5% of the gross from $1,100,000. to $1,500,000.; 15% of the gross from $1,500,000. to $2,000,000; 20% of the gross on all over $2,000,000. The percentages on the other two pictures will start after each picture has returned its negative cost. The idea is that after the completion of the first picture, if the English company and our company find it agreeable to work together, a new company will then be formed for the making of an English product that will be suitable for the markets of the world and comparable to American productions.

The contract calls for Mr. deMille to be actively in charge of all [737] production, to personally direct one super picture a year, he to select and bring to London a proper personnel for the making of the English pictures.

A leasing arrangement for the use of the Wimbley Studio, just outside of London, is under way and although the studio is equipped with a German equipment, it would be insufficient for the production activities of the contemplated size we would make.

Mr. deMille instructed Miss Rosson to send a complete list of all necessary equipment, together with prices immediately. The first production to be undertaken would probably be THE SIGN OF THE CROSS, the rights to which Mr. John C. Flinn is endeavoring to clear and secure for us.

A copy of the deal has been forwarded to the corporation's counsel, Mr. Neil S. McCarthy, for his approval of legal details.

Mr. DeMille, while in New York, told his GRAND CENTRAL idea for a play to the well-known playwright, Gladys Unger, who is to work out the idea and have it ready to submit to Mr. deMille when he returns to New York.

Mrs. Adams reported that Mrs. deMille has written the most glowing accounts of the theatrical season in London. She is attending a performance almost daily and feels quite confident of finding some suitable production material for us. She urged the purchase of the play, THE IMPROPER DUCHESS, but learned that it had just previously been sold to a New York producer.

Mr. King reported to the board that the construction business is holding its own and jobs in Arizona are being bid from time to time, but competition is

so keen that it is almost impossible to make any money at the prices for which the jobs are being let.

Mr. King also reported on the farming operations in which our corporation has a major interest and stated that our cotton crops are as good, if not better, than any in the same district, but unless cotton prices improve, he does not recommend putting the land into crops next year. [738]

Mr. Calvin reported that the market building being erected at West Adams and Vermont Avenue was progressing satisfactorily, and the opening was scheduled for October 3rd.

There being no further business to come before this meeting it was adjourned.

GLADYS ROSSON
Secretary [739]

MINUTES OF REGULAR MEETING OF CECIL B. DEMILLE PRODUCTIONS, INC.

Held: October 5, 1931.

A regular meeting of the Board of Directors of CECIL B. DEMILLE PRODUCTIONS, INC., was held at 2010 deMille Drive, Laughlin Park, Hollywood, California, on Monday, October 5th, 1931, at 10 o'clock A. M.

Present:

Mr. A. G. King
Mrs. E. K. Adams
Miss Gladys Rosson
Mr. F. E. Calvin
Mrs. Cecilia deMille Calvin

Absent:

Mr. Cecil B. deMille
Mrs. Constance A. deMille

The minutes of the last meeting were read and approved.

Miss Rosson acted as secretary and performed the duties of said office.

Miss Rosson reported that Mr. deMille had cabled from Berlin that since discussing the deal for the making of the British productions by our corporation, the financial economic crisis had reached its peak in Europe and on account of strenuous times there, he had received word from Eric Hakim that unless it were possible for them to arrange for an American distributor to make a guarantee on the deMille product, it was felt better not to proceed with the making of the pictures. Mr. deMille pointed

out that if Mr. Hakim would secure the right distribution contract, a guarantee would not be necessary.

Mr. deMille, of course, appreciates the difficulty in which the British bankers find themselves, and although an American guarantee for the release of the product here was never contemplated when the production deal was being made, Mr. deMille felt that under the circumstances we should consider the deal indefinitely postponed.

Mr. deMille also reported that the Russian Government, through their Paris consul, approached him with a suggestion that Productions make a picture in Russia to be directed personally by Mr. deMille. They are to have a proposition ready for him to consider when he reaches Berlin.

While in Berlin, Mr. deMille was approached by some influential German capitalists with a proposition for Productions to make pictures in Berlin, both [740] German and English versions, for distribution in Germany, the United States and Great Britain; they to furnish half the financing, if we would obtain American capital for the remaining half.

Mr. deMille does not recommend this as the time for Productions to make an investment involving so large an amount.

Mr. deMille found an interesting situation in Germany in that the people are only accepting pictures in the German language, and the method of handling the films from America is not producing good financial results.

Mrs. Adams reported that Mrs. deMille had notified her of their conference with the European representative of Miss Leila Georgie whom the corporation had sent to Europe in advance to locate promising material and that while Miss Georgie submitted several interesting pieces, Mrs. deMille did not feel that any would be acceptable to American audiences.

Mrs. deMille is finding the German theatres most stimulating.

Mr. Cavlin reported there would be two weeks delay in the opening of the market, but it is definitely scheduled to open October 16th.

Mr. King reported that he and Miss Rosson had been considering a proposal outlined to them by Mr. W. S. Gelette for the sale of some of our holdings in Arizona, that the initial outlay would not involve more than $800.00 and the idea has sufficient merit for him to ask the board to approve lending the money to Salt River Valley Lands, Inc.

Upon motion made by Mr. Calvin, seconded by Mrs. Adams, it was;

> RESOLVED, that Gladys Rosson, Secretary and A. G. King, Treasurer of this corporation, be and they are hereby authorized to loan the Salt River Valley Lands, Inc. not to exceed the sum of eight hundred dollars, ($800.00),
>
> THAT, Gladys Rosson, Secretary and A. G. King, Treasurer, are hereby directed to pay to the Salt River Valley Lands, Inc. not to exceed the sum of eight hundred dollars, ($800.00) in

amounts as required by the Salt River Valley Lands, Inc. [741]

Miss Rosson reported to the board that she had been working with Mr. Neil S. McCarthy on a proposal to sell the 2529 shares of the Golden State Theatre and Realty Company stock owned by Productions and 1 share owned by Mr. deMille, to the San Francisco Wigwam Theatre Company, and that the best price she had been able to obtain was $30,935.00. On behalf of the corporation, Miss Rosson authorized Mr. McCarthy to negotiate an agreement for the sale of the stock at this figure providing a down payment of $6,187.00 was promptly received and a note for the balance of $24,748.00 with interest at 6%, principal payable monthly at the rate of $515.59 starting November 8th, 1931, and interest payable monthly; this note to be secured by certificate for 2530 shares of Golden State Theatre and Realty Corporation stock issued to the San Francisco Wigwam Theatre Company and endorsed in blank by the officers of that company.

Miss Rosson asked the board to approve the action and as Miss Rosson excepts to leave shortly on a vacation she further asks the board to authorize Frank E. Calvin to endorse the stock certificate if Mr. McCarthy is able to terminate this deal during her absence.

Upon motion made by Mr. King and seconded by Mrs. Calvin, it was,

RESOLVED: that Gladys Rosson, the Secretary, is hereby authorized on behalf of this

corporation to sell to the San Francisco Wigwam Theatre Company 2529 shares of Golden State Theatre and Realty Corporation stock belonging to Cecil B. deMille Productions, Inc. for a total price of $30,935.00, taking in payment the sum of $6,187.00 cash and a note for the balance of 24,748.00, bearing interest at 6% to be paid at the rate of $515.59 per month starting November 8th, 1931, plus interest at 6%, also payable monthly, and that Frank E. Calvin, Assistant Secretary, be and he is hereby authorized to endorse the stock certificate.

Miss Rosson regretted to report to the board Mr. Austin Sutter's unsuccessful effort to secure financing for a motion picture to be made by Productions, and so the plan has been abandoned.

There being no further business to come before the board, the meeting was adjourned.

GLADYS ROSSON
Secretary. [742]

MINUTES OF REGULAR MEETING OF CECIL B. DEMILLE PRODUCTIONS, INC.

Held: November 2, 1931.

A regular meeting of the Board of Directors of CECIL B. DEMILLE PRODUCTIONS, INC., was held at 2010 deMille Drive, Laughlin Park, Hol-

lywood, California, on Monday, November 2nd, 1391, at 10 o'clock A. M.

Present:

Mr. A. G. King
Mrs. E. K. Adams
Miss Gladys Rosson
Mr. F. E. Calvin

Absent:

Mr. Cecil B. deMille
Mrs. Constance A. deMille
Mrs. Cecilia deMille Calvin

The reading of the minutes of the last meeting was waived; Miss Rosson acted as secretary and performed the duties of said office.

Miss Rosson reported to the board that Mr. deMille had proceeded to Moscow from Berlin to confer with the Mejrabpom Film, and as a result of his conferences with the Board of Directors of Mejrabpom Film, he was requested to submit a proposition to them. On behalf of our corporation, Mr. deMille wrote Mejrabpom Film as follows:

"Sept. 7, 1931.
Moscow, USSR."

"Mejrabpom Film,
Board of Directors,
Moscow, USSR.

Gentlemen:

Pursuant to our recent conversation in which you asked me to submit terms under which the Cecil B. deMille Productions, Inc. would co-

operate in the production of a film to be directed in Russia by Cecil B. deMille, I have the following suggestions to make, upon which if they meet with your approval, a contract may be based:—

1. For the sum of 1.00 (one dollar) per month to be paid in Los Angeles, Paris or London, as desired, Cecil B. deMille Productions, Inc. would provide the services of Cecil B. deMille personally for the making of a picture to be directed by him in the English language and supervised by him in Russian and foreign languages.

2. Mejrabpom will provide all necessary funds for production of said picture including all expenses for deMille and staff, and foreign cast from Hollywood to Moscow and return to Hollywood and during their stay in Russia. Also, all costs for rental or purchase of sound equipment and transportation of same from whatever point rented or purchased [743] and return, if rented, upon completion of service. Also, all costs of English, Russian and foreign versions, including all costs of raw stock, negative and poistive, purchase or rent of additional cameras than those provided by the studio, if required, cost of positive prints, sample print and laboratory work, wardrobe lighting, etc. etc., which are commonly understood as production costs.

3. Mejrabpom will provide the best studio space they have at the same rate as charged to

their other productions, which cost includes the use of all props, costumes, wardrobe, lighting equipment, etc. etc., in their possession or available, and the services of such actors as may be under contract to them at the same rate as charged to other Mejrabpom films.

4. Sound equipment to be rented or purchased will consist of full equipment for the making of one picture including portable equipment and portable electric generator which shall be purchased or rented by deMille as desired by Mejrabpom on the most reasonable terms possible from the country offering the best equipment at the lowest terms. If such equipment is purchased it shall not be charged to production cost.

5. deMille shall have entire charge of production and free choice of story and treatment of same. The subject shall be laid before Mejrabpom for suggestions and advice. If, for any reason, before or after the completion of the scenario, those in authority refuse to permit the production of the story as developed by deMille, and deMille and Mejrabpom cannot agree upon a compromise, Mejrabpom will pay all expenses incurred by deMille up to the time he is told that permission is refused, also return expenses to Hollywood. An author shall be immediately engaged to collaborate on the story. deMille desires stories submitted by Mejrabpom, with the view of their perhaps furnishing a fundamental idea for the production.

6. Mejrabpom will deposit $50,000. to a joint account in New York for story expense, transportation of unit to and from Russia and towards other preliminary expenses.

7. American distribution shall be under deMille authority subject to approval by Mejrabpom. Contracts for all foreign distribution shall be approved by deMille.

8. American staff shall include camera men, writer, necessary sound and electrical engineers for sound equipment, assistant director, secretary and such others, as it may be mutually advantageous to bring.

9. In consideration of providing the personal services of deMille for the amount above mentioned, Mejrabpom will pay to de Mille Productions 10% of the gross receipts for the rental, sale or other disposition of the picture until a sum equal to the negative cost (exclusive of sound equipment, if purchased) has been recouped by Mejrabpom. Thereafter, deMille Productions shall receive 20% of said gross receipts, allowance being made by Mejrabpom for the true value of the ruble. Before figuring the above percentages Mejrabpom shall deduct 30% for cost of distribution. The 10% and 20% to be paid in dollars in Los Angeles, London or Paris as desired.

10. It is our understanding that there is a Russian law prohibiting payment of percentages on Russian grosses. Therefore, Mejrabpom will pay from its own receipts an amount equiv-

alent to what the above percentage on Russian distribution would equal, allowance being made for the true value of the ruble. [744]

11. If Mejrabpom so desires, and as evidence of good faith Cecil B. deMille Productions, Inc. will take a 10% interest in the costs and profits of the picture in addition to the above percentage and will pay with Mejrabpom 10% of all monies required, and receive 10% of all monies earned. Allowance being made for true value of the ruble.

The purpose of this letter is not a contract but to establish the basis upon which a contract may be made.

Sincerely
CECIL B. DEMILLE PRODUCTIONS, INC.
By (Signed) Cecil B. deMille."

CBDM/LM

To which the Mejrabpom Film replied, translation of which follows:

"Moscow,
September 12, 1931

Mr. Cecil B. deMille, Director:—

We have received your written proposal with the conditions stated therein upon which a contract would be concluded for the joint production of a picture in the USSR under your direction. Considering work in cooperation with

you very desirable, Megrabpom Film thinks that the following fundamental terms should be laid as the basis of commercial and producing relations between Mejrabpom Film and Cecil B. deMille Productions, Inc.:—

1. Mr. Cecil B. deMille takes upon himself the direction for the production of a sound film in the English, Russian, German, French and Spanish languages.

2. In order to coordinate all the most important questions for the realization of producing a picture with Mejrabpom Film, the latter offers its representative Mr. Cecil B. deMille's first assistant (personal candidature should be agreed upon with Mr. Cecil B. deMille.)

3. The rest of the personnel is selected by Cecil B. deMille together with the Mejrabpom Film representative.

4. Mejrabpom Film furnishes for the joint production of a picture its sound studios, equipment, costumes, props, etc.

5. After the approval of the scenario for the production of a picture, a preliminary estimate should be formed, approved by both sides. The cost of production of the five versions approximately amounts to 4,000,000 rubles. Each party pays half of all expenses for the production of the picture. Mejrabpom Film takes upon itself the payment of all expenses incurred in the USSR. Cecil B. deMille Productions, Inc., pays all the expenses connected with the importation

of sound equipment, etc., and other expenses made abroad.

6. Mejrabpom Film suggests the subject for the picture as well as the main idea for production and both the subject and the idea should be approved by Cecil B. deMille Productions, Inc.

The treatment of the accepted subject for scenario is entrusted to the author selected by both sides. The developed scenario is subject for approval by Cecil B deMille Productions, Inc. and Mejrabpom Film.

7. When the production of the picture is completed, the latter is given for rent, sale and other ways of exploitation abroad, and the order of exploitation in America, as well as in other countries is established by [745] mutual agreement, which is to be worked out at the conclusion of the contract between Mejrabpom Film and Cecil B. deMille Productions, Inc.

8. The receipts for the rental, sale, and other ways of exploitation go, in the first place, towards the negative cost of both sides of equally incurred expenses, and the net profit is shared equally (50% for each party).

9. As the rent of the picture in the USSR cannot be included in common receipts, that to be divided between both parties, Mejrabpom Film considers it to be just that Cecil B. deMille Productions, Inc. should be compensated by the gross receipts received from the exploitation of

the picture in some other country as for instance, England.

10. As regards the salary for the personal services of Director Cecil B. deMille, Mejrabpom Film understands that the salary of one of the most outstanding producers in the motion picture world, should be sufficiently high. The highest salary of our best masters, as for instance, producers Pydovkin, Eisenshtein, and Dovshenko, is estimated approximately at 10,000 rubles per picture. We understand, that this salary does not correspond with the scale accepted abroad. Therefore, we would consider it to be just, if you would agree to receive a fee for the direction of the picture in the sum of 50,000 rubles, in Soviet currency, which should be paid you at a date fixed in the contract.

We want to call your attention to the fact that the economical conditions in producing a picture in the USSR are much more profitable than abroad. The fee of our best actors enjoying world-wide fame as for instance: Leonidov, Moskvin, Batalov, Blumenthal-Tamarina, Meyergold, Kachalov and others amounts with the sum of 10,000 rubles for their participation in a picture. At the same time, such actors abroad receive ten times more. Sound studio in the USSR costs considerably less than abroad.

In your proposal there is a clause about the "necessity of discount from the true value of the ruble." We tried to decipher this clause and were forced to put it down to inexact transla-

tion. The soviet ruble, as fixed by our State Bank, has the value as regards the American Dollar of $1.00—1 ruble 94 Kop. It is then clear, that all figuring we agree to base upon this proportion.

We are certain that the conditions stated herein will be the true reflection of our future commercial relations, and should they not meet with objection on your part, can be laid down as the basis for a contract between Cecil B. deMille Productions, Inc., and Mejrabpom Film.

We beg that you accept our assurance of our deep desire to realize the mutual production of a picture, and we await your answer to this letter.

Sincerely,

LM MEJRABPOM FILM.

Supplement to #5 in letter to Mr. Cecil B. deMille:—

Each side pays 50% of all expenses for the production of the picture. The expenses incurred in the USSR in the Soviet Currency on account of the total cost of the production are paid by Mejrabpom Film; the expenses incurred abroad, as well as all expenses in foreign currency applied against the total cost of production are paid by Cecil B. deMille Productions, Inc.; for instance, all expenses connected with the sending of Russian actors and corresponding staff abroad are paid from the border by Cecil B. deMille Productions, Inc., on the con-

trary, all the expenses connected [746] with the bringing in of foreign actors and the other personnel from the Russian border are paid by Mejrabpom Film.

Should the expenses be unequally incurred by the contracting parties, then that party which pays over 50% is refunded the difference by the other party in American Dollars."
LM

It is Mr. deMille's opinion that a deal with the Mejrabpom Film is really not possible on account of the true value of the ruble and the value of it in the U.S.S.R. (Russia). Mr. deMille has no doubt that the film would sell very well, but he is further of the opinion that it would be much better to make the picture in America, spending five or six hundred thousand dollars, and own it ourselves, rather than to attempt the production in Moscow on a fifty-fifty basis.

Mrs. Adams reported to the board that Mrs. deMille had notified her of the purchase for the corporation of the rights to a play called SQUARING THE CIRCLE by Valentine Kataeve, a play that is enjoying an enormous run in Moscow, and that she is considering a dramatic story, CHOCOLATE, a translation of which is being prepared for Mrs. Adams' consideration.

Mrs. deMille further instructed Mrs. Adams to prepare and forward to them at the earliest possible moment, a synopsis of CHOCOLATE and her opinion of its possibilities for a stage play and for a picture.

Mr. deMille feels that the time is probably right to make a production in New York and either of these properties would serve the purpose admirably. He is working on a treatment of SQUARING THE CIRCLE that he believes would be acceptable to New York audiences, and is also working on the dramatic story CHOCOLATE, and if it shapes up into an interesting play, Mr. deMille will so advise us.

Mr. Calvin reported that the market opened on Friday, October 16th, as scheduled, and that a tremendous business was done on the opening day and is continuing in a highly satisfactory manner.

Mr. King reported that the construction company had bid and been awarded thirteen jobs.

Miss Rosson reported that business of the Edgerton, King Company had improved in a very gratifying manner. [747]

Mr. King asked Miss Rosson to advise the board the present status of accounts and notes payable, and also asked for a report on other income of the corporation. Miss Rosson stated that interest due on the Seaboard Airline, Sinclair Consolidated, and Republic of Bolivia Bonds had defaulted and dividends on Central Investment Corporation, Otis Steel Preferred, and Transamerica have been passed and dividends of Nash Motors, Southern Pacific Company, and Standard Oil of Indiana have been reduced. It was anticipated that the Pennsylvania Railroad and the Union Pacific Company will decrease their dividends, although no official announcement has as yet been received.

Miss Rosson stated there were several cases of delinquencies in payments on notes and interest due our corporation, the largest item being the amount of $4,513.32 due from Mr. Joseph L. Danziger, on note secured by his property on Los Feliz Boulevard. She recommends that the board continue to be lenient with him for an additional period to give Mr. Danziger every opportunity to bring his payments up to date.

Miss Rosson also reported on the F. C. Van Deinse note of $15,000.00 and the Geo. H. Flebbe note of $5,000.00. Mr. Van Deinse and Mr. Flebbe are making prompt payments of the interest and each has asked for one year's extension on the payment of principal of their notes, but these extensions have been declined on advice of counsel.

Mr. King reported that he had been devoting constant attention to the corporation's holdings of stocks and bonds with a view to selling or exchanging them for other securities, but is of the opinion that our listed holdings of stocks and bonds are as substantial as any new list that he could suggest and so recommends that with the possible exception of Transamerica stock, that we refrain from selling or exchanging at this time any of our present securities.

Mr. King again cautioned each member of the board to follow Mr. deMille's urgent and repeated advices to conserve our outgo to a minimum.

There being no further business to come before the Board the meeting was adjourned.

GLADYS ROSSON
Secretary [748]

MINUTES OF
SPECIAL MEETING OF THE BOARD OF
DIRECTORS OF
CECIL B. DEMILLE PRODUCTIONS, INC.

Held: December 11, 1931.

We, the undersigned, directors of CECIL B. DEMILLE PRODUCTIONS, INC., hereby give our consent to the holding of a special meeting of the Board of Directors of CECIL B. DEMILLE PRODUCTIONS, INC. at 2010 deMille Drive, Laughlin Park, Hollywood, California, on the 11th day of December, 1931, at the hour of nine o'clock P.M. thereof, for the purpose of the President's final report with reference to his European trip, and for such other bsuiness as may come before the meeting.

Dated: Hollywood, California, December 11th, 1931.

CECIL B. deMILLE
CONSTANCE A. deMILLE
GLADYS ROSSON
A. G. KING
FRANK E. CALVIN
CECILIA deMILLE CALVIN
ELLA KING ADAMS

A Special Meeting of the Board of Directors of CECIL B. DEMILLE PRODUCTIONS, INC. was held on the 11th day of December, 1931, at 2010 deMille Drive, Hollywood, California, at the hour of nine o'clock P.M., said meeting being held pursuant to call by telephone and the foregoing written consent and waiver of notice by mail, signed by all the directors. [749]

The minutes of the last meeting were read and approved.

The meeting was called to order by the president, who also acted as chairman of the meeting. Miss Rosson acted as secretary and performed the duties of said office.

The secretary then called the roll which was presented as follows:

Present:

Mr. Cecil B. deMille
Mrs. C. A. deMille
Mr. A. G. King
Miss Glayds Rosson
Mr. Frank E. Calvin
Mrs. Cecilia deMille Calvin
Mrs. E. K. Adams

Absent: None

The president welcomed the members of the board and before proceeding with the general business before the board, he commented on the splendid manner in which the organization had conducted the company's business during the absence of himself and the vice-president.

Having reviewed conditions at first-hand in Europe, the Orient and in New York, the President stated that he felt this company was facing the same serious situation that confronted the rest of the world, except those few gentlemen who had learned how to sell securities short on the market; but he was glad to report that we have a chance of reaping a reward for the investment we made this

past summer in sending the vice-president and himself abroad in search of new ideas. Approximately $14,000.00 was expended for the corporation, (and the president and vice-president expended about $11,000.00.) Three plays were procured for the corporation, SQUARING THE CIRCLE, by a Russian author, Valentine Kataev, CHOCOLATE, a novel by Alexander Tarasov-Rodinov, published by Doubleday, Doran and Company, and we are now awaiting the receipt of an English translation of THE DAYS OF THE TURBINS by Bulgakov, which is being made by Eugene Lyons, in Moscow.

The president is firmly convinced that the best procedure would be to produce SQUARING THE CIRCLE as a legitimate play in New York, opening it in April. It would be excellent summer show material. It could be prepared as a picture, but the picture industry here is in such a chaotic state and money is being lost so fast by the major producing companies—with the exception of the Metro-Goldwyn-Mayer Studio—that with the avenue of independent production still closed to us, the president feels that our immediate future endeavor is brighter [750] in the legitimate field.

The foresight of our organization in having amassed cash for production purposes is responsible for this company having been able to send two of its officers to Europe this summer for good marketable ideas, and in the face of calamity on all sides, we have kept our heads above water in the conduct of our various business interests without dismissing any employees. However, the president

is planning a policy of even greater retrenchment in every way, and a reduction in all salaries is imminent. Old organizations and much larger organizations than ours have found it expedient to take this step and we must follow to maintain our present position financially. Had we invested in pictures two years ago, we undoubtedly would have been in bankruptcy today, for many pictures have not even returned negative costs. Independent pictures have been utilized by the major companies as buffers on which to bounce their own productions. Even the Class A securities in which we invested many hundreds of thousands of dollars have shrunken dismally under the present management of the country.

The president stated that they found themselves in the position of national heroes in Russia—that one of the deMille Productions was considered the greatest that had ever shown there—either from the Russian Studios or elsewhere; and it was not THE VOLGA BOATMAN, as one might suppose, but THE GODLESS GIRL. It is THE BIRTH OF A NATION to Russia. They were told more than once that it is the greatest picture of all time for Russia.

The president said that the company for whom we made it, we will recall, had little or no faith in it, and they sold it for distribution in Europe for the sum of $7,000.00; and the president was informed that in the Russian theatres alone, it had grossed over $2,000,000.00. When the president and vice-president reached Tiflis, in the southern part of Russia, they found the picture completing a

second run of three months, in a theatre that changes its pictures weekly.

The president said that he could not too highly commend the importance and value of having been accompanied by the vice-president, because they were entirely alone in each of the foreign countries, conducting negotiations in a language foreign to them. There were huge sums involved in the discussions, and the Russians, Germans and British were very astute business minds to cope with—much of the negotiations had to be carried on through interpreters—and it was very valuable to have another present to hold our own. In Berlin they decided that it would be best [751] to take Theodore Kosloff into Russia with them, preferring to have their own interpreter instead of having to rely on one of the Soviets—and it was unquestionably a wise move. The president also commended the vice-president for her earnest pursuit of play material in New York, London, Paris, Berlin, Russia and in Cairo; and is equally enthusiastic with her over the three stories chosen.

But the president was glad to cast one ray of hope in this rather dark and gloomy picture: The one solvent motion picture company today, Metro-Goldwyn-Mayer Corporation advised him through their production chief, Irving Thalberg, that they would like him to direct a Russian picture they desire to make, and that while the terms would be nothing like the terms of the past, Metro-Goldwyn-Mayer Corporation would like to make an arrangement with Productions for the personal

services to direct this picture. The president recommends that we consider this, as it is through our having sent him to Europe, and through Russia particularly, that this engagement has now come up.

The president pointed out, however, that there were many things to consider before deciding upon this offer. The president has not had an opportunity to read the story and so cannot say whether or not the nature of it would hurt our standing in Russia, which is at present very high.

Our negotiations with the Russian film company, Mejrabpom, are still pending. The board is familiar with the offer and so it will not be repeated at this time.

The president stated that in his opinion the Russian offer made by Mejrobpom might easily develop into a very fine connection provided we could find a way of solving the difference in the true value of the ruble—and that this matter might be solved if America went off the gold standard.

The president asked for the opinion of board members on the proposal made by Metro that we make a picture on a Russian subject for them.

The vice-president stated freely her fear that if we made a picture not in sympathy with the present Russian movement, it might for all time endanger our standing in Russia, which she assured the board was very high; that while she realized the desirability of our company taking advantage of any good monetary offer, she felt that the president should make a Russian picture only if the story was one that he felt presented a true picture of Russia

as they found it today; and [752] that he should not do any piece of work that would reflect upon the Russian movement or that was contrary to the Russian Government's ideals.

Mrs. Calvin expressed herself in accord with the Vice-president and asked the president to what extent he believed Metro-Goldwyn-Mayer would permit us to alter the story if we found it was derogatory to the Russian movement.

The president replied that he had gathered the impression that the Metro-Goldwyn-Mayer story was quite definitely settled upon and that it would be a question of adhering closely to the script.

Mrs. Adams recommended that the president view the Metro-Goldwyn-Mayer story with an open mind, and if it were too far afield from Russia as he found it to be, endeavor to interest them in one of the properties that the president acquired while in Europe.

The president felt inclined to recommend that if the Metro-Goldwyn-Mayer proposition worked into a profitable venture that we might well consider a contract with them and regard their story as a dramatic vehicle whether or not it reflected true or untrue facts.

Mr. King recommended that the president proceed with the negotiations with Metro-Goldwyn-Mayer, familiarize himself with the story, and report on it again at our next meeting.

Mr. Thalberg stated very emphatically to the president that some big changes were imminent in the film field, and that when the smoke had cleared away, there might be a very good place for the deMille

Productions to land; that several of the major companies were in real difficulties and that an independent producer, like the deMille Productions, would again have a real position in the amusement field.

The president reminded the board that we had at all times kept our heads and ideals high, made interesting and fine productions during our entire history, and had refrained from unwholesome subjects, even though the public did not seem [753] to clamor for clean pictures, but that since we had, through a combination of uncontrolled circumstances on our own part, been prevented from continuing to make our independent product, he did not recommend putting lightly aside any offer that would enable us to capitalize on his ability to direct pictures.

Miss Rosson asked the president what had been done toward securing a dramatist to prepare the manuscript of SQUARING THE CIRCLE.

The president informed the board that he had, through Collier and Flinn, Inc., agents, made an arrangement for the services of William A. Drake, a well-known dramatist, who was the adapter of GRAND HOTEL, one of the biggest successors New York has had in many years. The corporation's counsel was drafting a contract between Mr. Drake and the corporation. The president also stated that he had not progressed far enough with plans for the New York production of this subject to ask the board for an appropriation, but hoped to have

the manuscript sufficiently in shape to take this up at our next meeting.

The vice-president felt that in planning our legitimate productions, we should first offer SQUARING THE CIRCLE, that has run so successfully for three years in Moscow, and then follow it with the great dramatic story, CHOCOLATE, and follow that, with THE DAYS OF THE TURBINS. She felt that SQUARING THE CIRCLE, being a delightful Russian comedy and amusing entertainment, would put the public in the proper frame of mind to accept a more dramatic piece of work—she feels the American public will need to be educated, lightly and amusingly, to ensure the success of a serious story of Russia today.

The president stated he was inclined to agree with her.

The vice-president also offered the information that although it was considered a poor theatrical season in New York, the good plays, like MOURNING BECOMES ELECTRA, and several others, were enormous successes, packed *as* every performance. The poor offerings failed over night. So, she felt that with the history of the long term run behind SQUARING THE CIRCLE, we should certainly consider bringing it out in March or April.

The president talked with various producers in the east, and learned that theatres can be gotten on almost any terms, and with so many actors out of work, he felt that we could make a fine production for a very small outlay. He thinks SQUARING THE CIRCLE could be produced for $10,000.00;

CHOCOLATE for $25,000.00, but he could not estimate THE DAYS OF THE TURBINS, as the transla- [754] tion has not yet reached us. He particularly urged the idea of considering the production of plays seriously, for if these first few were successful, we would then have the stage to turn to in the future if the independent motion picture field remained closed to us. He believes that our ability to produce good plays could start where the old deMille organization ceased twenty years ago when the company, first known as Mrs. Henry C. deMille Company, Inc., and later deMille Play Company, Inc., arranged for attractions and produced plays over the entire country.

Our counsel, Neil S. McCarthy, went on record in writing to Mr. deMille in New York that he disapproved of the corporation making legitimate productions on the ground that we needed to continue to make pictures for we could soon be forgotten. The president does not feel that ground is tenable for nobody goes to a picture because they remember him, but because they remember the number of good pictures we have turned out. After making some successful plays, we could through that medium gain an opening wedge for a distribution contract with a major distributing organization that is at present denied us. The president and Mr. McCarthy think it would be futile to enter into negotiations with the United Artists, as the United Artists organization is at present facing bankruptcy. They have made several successful pictures, but their distributing organization will not return them the nega-

tive cost on same. A picture contract is all a matter of release. In the past, one of the major companies would make a distribution contract with negative cost guaranteed against which financing was done by the banks; but in order to eliminate the independent producers, the major companies are refusing to make distribution contracts and without same, it is impossible to gain financing.

Mrs. Adams asked the vice-president to give the board her views of the trip she and the president recently completed.

The vice-president said that the reception accorded them throughout the countries visited was very gratifying, that the president was looked upon and considered a really great artist, that his productions throughout the years have been acclaimed in many instances as masterpieces, and that as an example of what is thought of him and his work is best demonstrated by the very interesting contracts offered him in London, Berlin and Russia. She, herself, feels that if the medium of exchange could be worked out, the Productions would best consider the Russian proposal. She expressed herself as to the great dramatic value gained by their [755] intimate viewing of foreign theatricals and pictures and meeting world-renowned artists and dramatists. She spoke briefly on the success she feels is in store for our production of the two plays and one story acquired in Russia. She also mentioned their attendance at a performance in an Amsterdam Theatre, where Mr. deMille was recognized and introduced from the stage during the course of the

play. The ovation was tremendous. While in Istanbul, the association of artists called gave a tea for them, and a special performance by their finest players.

They received an enormous amount of publicity in the daily papers and magazines of the countries, and were beseiged for interviews in every city and town. The artistic people of each country presented themselves, appointments followed, and they had an excellent opportunity of exchanging ideas with the finest artists in the world. The name of deMille and deMille Productions are well-known everywhere. It was a great pleasure to find that in the foreign countries, the artists take their art very seriously—it is their mission in life—and it was very exhilarating and stimulating to meet that type of artist.

The reason that this great attention was paid to them, as Mrs. deMille stated, is because the deMille product is perhaps the best known in the world. It was most gratifying to find that it was not just in Europe where the trademark of deMille Production was recognized as having merit, but in the small towns of Turkey, Greece, southern Russia, Egypt, the Holy Land, etc.

With reference to the British film offer, that deal fell through undoubtedly through the collapse of the English commercial structure and the falling off of the pound, and the upheaval that followed in British business, nobody wishing to risk making a large production such as we contemplated at that time.

The president reported that while in New York, he negotiated with Mr. Lasky the terms under which we would be agreeable to Paramount re-leasing THE TEN COMMANDMENTS, with sound, and fixed ten per cent of the gross as a fair percentage. The president believes this will net our company in the neighborhood of $50,000.00, and asked the approval of the board to closing for this release on those terms.]756]

Miss Rosson reported that Mr. F. C. Van Deinse asked for an extension of time for the payment of his loan. The president suggested that we offer him a new two year loan with interest at 7%, providing he would furnish us with a new trust deed and have the title brought down to date.

Mr. Calvin requested the board to authorize a reduction in rent for Ernest Belcher to half rate for the months of November and December, and for the year 1932, to calculate his rental on the basis of 6% of $100,000.00 ground rental, a reduction from the basis of 6% on $140,000.00 as recited in the lease.

Mr. Calvin also requested a reduction of interest to 4% for the year 1932, for Mr. F. S. Hilpert on his note, secured by Trust deed on a Laughlin Park lot.

The president looked with favor on these adjustments as he did not recommend foreclosing and having these added properties on our hands. Mr. Belcher and Mr. Hilpert are able to meet a reduced note, but unable to keep their obligations alive at the current rates.

Under the present situation, the president is against the policy of maintaining our quarterly dividend payment, the next would be due on January 1, 1932, and recommends that the board take action on the matter. If we voted it, it would have to be paid from surplus as the earnings of the past year show a loss, and if we are forced to sell some of our securities, as we undoubtedly will be obliged to, the loss will be considerably larger. The president moved to waive the payment of dividends until this board decides the company is in a good position to do so.

Upon motion made by Mrs. Adams, seconded by Mr. Calvin, and unanimously carried, it was:

> RESOLVED: That the payment of the regular quarterly dividend of $1.50 per share on the stock of this corporation be waived, to become effective with the dividend paying date of January 1, 1932, and to continue until such time as the directors may deem it advisable to resume payment of same. [757]

Miss Rosson stated that it would be a great convenience to confine our banking to one branch of the Bank of America, and suggested that we close our accounts at the Culver City, Hollywood and Highland Avenue, and Seventh and Olive Street branches of the Bank of America, and open new accounts at the Hollywood and Ivar Branch of the Bank of America.

Upon a motion duly made, seconded and unanimously carried, it was:

> RESOLVED: That this corporation establish in its name a COMMERCIAL account with the Bank of America National Trust and Sav-

ings Association upon such terms and conditions as may be agreed upon with said bank and that the President and secretary of this corporation be and they are hereby authorized to establish such an account.

RESOLVED: That Gladys Rosson, Secretary, is hereby authorized to withdraw funds of this corporation from the said account upon checks of this corporation in amounts not exceeding $500.00 on any one check all other withdrawals shall require the signature of:

> Cecil B. deMille or Gladys Rosson and/or Constance A. deMille, A. G. King, Frank E. Calvin, Ella King Adams, Cecilia deMille Calvin,

and they are hereby authorized to withdraw funds of this corporation from the said account upon checks of this corporation, signed as provided herein with signatures duly certified to said bank by the secretary of this corporation and said bank is hereby authorized to honor and pay any and all checks so signed, including those drawn to the individual order of any officer or other person authorized to sign the same.

Upon a motion duly made, seconded and unanimously carried, it was:

RESOLVED: That this corporation establish in its name a SPECIAL COMMERCIAL account with the Bank of America National Trust and Savings Association upon such terms

and conditions as may be agreed upon with said bank and that the president and secretary of this corporation be and they are hereby authorized to establish such an account.

RESOLVED: That Cecil B. deMille, the president, or Gladys Rosson, the secretary, and/or Constance A. deMille, vice-president, A. G. King, treasurer, Frank E. Calvin, Assistant Secretary, Ella King Adams, director, Cecilia deMille Calvin, director, of this corporation be, and they are hereby authorized to withdraw funds of this corporation from the said account upon checks of this corporation, signed as provided herein with signatures duly certified to said bank by the secretary of this corporation and said bank is hereby authorized to honor and pay any and all checks so signed, including those drawn to the individual order of any officer or other person authorized to sign the same.

Upon a motion duly made, seconded and unanimously carried, it was:

RESOLVED: That this corporation establish in its name a SAVINGS account with the Bank of America National Trust and Savings Association upon such terms and conditions as may be agreed upon with said bank and that the president and secretary of this corporation be and they are hereby authorized to establish such an account. [758]

RESOLVED: That Cecil B. deMille, the president, or Gladys Rosson, the secretary, and/or Constance A. deMille, vice-president, A. G. King, Treasurer, Frank E. Calvin, assistant secretary, Ella King Adams, director, Cecilia deMille Calvin, director of this corporation be, and they are hereby authorized to withdraw funds of this corporation from the said account upon checks of this corporation, signed as provided herein with signatures duly certified to said bank by the secretary of this corporation and said bank is hereby authorized to honor and pay any and all checks so signed, including those drawn to the individual order of any officer or other person authorized to sign the same.

Upon a motion duly made, seconded and unanimously carried, it was:

RESOLVED: 1. That the president of this corporation be, and he is hereby authorized and directed to rent a safe deposit box from the Hollywood Boulevard and Cahuenga Avenue branch of the Security Trust and Savings Bank of Los Angeles, California, subject to all the rules and regulations of said bank;

2. That Cecil B. deMille, president, and/or Constance A. deMille, vice-president, and/or Gladys Rosson, secretary and assistant treasurer, of this corporation be, and they are hereby authorized to have access to said safe deposit box, and any one of said persons shall have full

power and authority to do and perform, with reference to both withdrawing or changing, from time to time, the contents of said safe deposit box, or in relation to any other thing pertaining thereto including the surrender of said safe deposit box and the keys thereof, all things which said bank or its agents may deem necessary in and about the premises;

3. That this corporation hereby agrees to notify said bank of the death of any person now or hereafter authorized to have access to said safe deposit box, and will notify said bank immediately of any such death and will not seek access to said box until it has been examined and released in accordance with the Inheritance Tax laws of the State of California and of the United States;

4. That no rescission, modification, revocation or termination of all or any part of the foregoing resolutions or of any powers conferred thereby shall be effective as to the said bank until written notice of the same has been given to the office or branch of said bank at which said safe deposit box is rented;

5. That a copy of these resolutions be delivered to said bank.

There being no further business to come before the board, the meeting was adjourned.

GLADYS ROSSON
Secretary [759]

PETITIONER'S EXHIBIT NO. 5

[Endorsed]: Admitted in evidence Dec 13 1933

RECEIVED from CECIL B. DEMILLE PRODUCTIONS, INC., a corporation, the sum of FORTY THOUSAND DOLLARS ($40,000.00), being in full payment of the amount due to the undersigned this day under that certain agreement dated the 23rd day of January, 1925, between the undersigned, Thos. H. Ince Corporation and the said Cecil B. deMille Productions, Inc., this payment together with the previous payment of Ten Thousand Dollars ($10,000.00) made at the time of the execution of said agreement, making a total payment to date on account of the principal of the purchase price of the priperty described in said contract of Fifty Thousand Dollars ($50,000.00)

Dated: at Los Angeles, California,
April 23, 1925.

THOS. H. INCE CORPORATION,
By ELINOR K. INCE (Signed)

[Seal] [760]

RECEIVED from CECIL B. DEMILLE PRODUCTIONS, INC., a corporation, the sum of FORTY THOUSAND DOLLARS ($40,000.00), being in full payment of the amount due to the undersigned this day under that certain agreement dated the 23rd day of January, 1925, between the undersigned, Thos. H. Ince Corporation and the said Cecil B. deMille Productions, Inc., this payment together with the previous payment of Ten Thousand Dollars ($10,000.00) made at the time of

the execution of said agreement, making a total payment to date on account of the principal of the purchase price of the property described in said contract of Fifty Thousand Dollars ($50,000.00.

Dated: at Los Angeles, California,
April 23, 1925.

THOS. H. INCE CORPORATION,
By ELINOR K. INCE (Signed)

[Seal] [761]

AGREEMENT FOR SALE OF REAL ESTATE AND PERSONAL PROPERTY

THIS AGREEMENT, Made this 23rd day of January, 1925, between the THOS. H. INCE CORPORATION, a Delaware corporation duly authorized to do business in the State of California, the party of the first part, and CECIL B. de MILLE PRODUCTIONS, INC., a California corporation with principal offices in the City of Los Angeles, State of California, the party of the second part;

WITNESSETH:

That the said party of the first part in consideration of the covenants and agreements herein contained and made by and on the part of the said party of the second part, agrees to sell, transfer and convey unto the said party of the second part, and the party of the second part agrees to buy all that certain lot, piece or parcel of land situated in the City of Culver City, County of Los Angeles, State of California, and bounded and particularly described as follows, to-wit:

Lots One (1), Two (2), Three (3), Four (4), Five (5), and Six (6), inclusive, of Tract 2530 of Culver City, County of Los Angeles, State of California, as per map recorded in Book 35, Page 10 of Maps in the office of the County Recorder of said County, said property including approximately twelve and six tenths (12.6) acres, and known as The Ince Studios.

Together with all buildings thereupon and all furniture, furnishings, studio equipment, mechanical plants, machinery, cameras and accessories, materials and merchandise on hand for the purpose of use in production of motion pictures, props, costumes, sets, flats and stage utilities, automobiles, wind machines, portable power plants and all other motion picture production equipment and accessories now on the said premises referred to herein and the property of the party of the first part, except the following articles of personal property, to-wit:

Such furniture and furnishings as Mrs. Ince shall desire to take from the office and retiring room of the late Mr. Ince, together with his personal effects from the buffet; the desks, [762] chairs and rug in the present Business Manager's office; two double desks, two single desks with chairs, two typewriters and typewriter desks with chairs and one adding machine from the present Auditor's office; all filing cases and filing equipment carrying the records of the present Thos. H. Ince Corporation, including one Safe Cabinet in the Auditor's

office; one motion picture camera and one trick motion picture camera, together with all equipment and the equipment of the present experimental shop; one projector-printer and the equipment (now under construction; one motor boat number 198-A; all Buffalo heads and hides; all interest in motion pictures heretofore produced; negative and positive film exposed and unexposed; motion picture rights in scenarios, books and compositions.

It is understood and agreed that an inventory will be made jointly by representatives of the parties hereto at the time of the party of the second part taking possession of the premises subject to this agreement, which inventories shall be annexed hereto and shall become a part of this agreement and according to which the party of the second part shall be obligated to the party of the first part for any replacement, loss or damage, should the party of the second part default in carrying out the terms of this agreement, or for any other reason the said property should revert to or the party of the first part become entitled to the possession thereof from the party of the second part, or its assignee, as hereinafter provided for.

It is further understood and agreed that inasmuch as the party of the first part is at present operating said studio as a rental studio and in completing motion pictures heretofore produced by it, that the party of the first part will use the said studio and all equipment or accessories connected therewith until the date when the party of the second part will take possession thereof under this agreement,

and shall not be chargeable for said [763] use and/or damage occasioned thereto due to the usual loss or wear and tear due to said use, and further, that as materials and stock on hand for use in motion picture production will be used in the usual course of business in the studio operation until the party of the second part shall take possession hereunder, that the consumption of any such stock or materials shall not be chargeable to the party of the first part nor shall any additions that might be made to said stock be chargeable to the party of the second part, but the inventories of such stock or materials as may be on the premises shall be made as of the day on which the party of the second part shall take possession.

It is understood and agreed that for the said real property herein specifically set forth and for the personal property upon said premises as herein described and limited the party of the second part agrees to pay to the party of the first part the sum of Five Hundred Thousand ($500,000.00) Dollars, lawful money of the United States of America, and the party of the second part in consideration of the premises agrees to buy and pay to the party of the first part the sum of Five Hundred Thousand ($500,000.) Dollars as follows, to-wit:

Ten Thousand ($10,000.00) Dollars upon execution and delivery of this agreement, receipt of which is hereby acknowledged, and the further sum of Forty Thousand ($40,000.00) Dollars or more, on or before the 23rd day of April, 1925, and Forty

Thousand ($40,000.00) Dollars or more, on or before the 23rd day of December, 1925, and Four Hundred Ten Thousand ($410,000.00) Dollars on or before the 23rd day of January, 1930, together with interest at the rate of five and a half (5½%) per cent per annum, from this date payable semi-annually on the 23rd day of January and the 23rd day of July of each year on all deferred payments herein provided for; all payments of principal and interest to be made to it at the [764] Commercial National Bank, Hollywood Agency, in the City of Los Angeles, State of California, unless otherwise directed in writing by the party of the first part.

It is further understood and agreed that at any time after the payment by the party of the second part of the first three payments provided herein on account of the purchase price aggregating the sum of Ninety Thousand ($90,000.00) Dollars that the party of the first part may at its option deed the real estate included in this contract for sale to the party of the second part or its assignee and the party of the second part or its assignee will contemporaneously therewith execute a first trust deed upon said real property in favor of a trustee selected by the party of the first part for the benefit of the party of the first part as security for its note in such amount as shall remain due upon the said purchase price at that time and payable on or before January 23rd, 1930, with interest at five and one-half per-cent per annum payable semi-annually on the 23rd day of January and the 23rd day of July each year, and the party of the second part or its

assignee will at that time execute an agreement for conditional sale of the personal property consisting of all of the personal property included in this agreement and specifically reserving the title thereto in the party of the first part and containing all the clauses and provisions of this agreement which are applicable thereto.

It is agreed that in the event first party elects to have second party execute a trust deed as security for the unpaid balance of the purchase price or any part thereof, prior to the sale and transfer of this contract and/or of its right therein and thereto, to a corporation now formed or to be formed and in which Cecil B. deMille will hold not less than 48% of the capital stock thereof, as herein provided, said trust deed and the note or notes representing the indebtedness secured thereby shall each provide by the terms thereof that in the event first party shall transfer said real property to such assignee, said trust deed and the note or notes representing the indebtedness secured thereby shall be delivered up and cancelled upon demand by the second party and the tender by the said assignee [765] of second party of promissory notes in like sums and according to the tenor of the notes executed by the second party, and a first trust deed upon said property similar to the *sone* executed by second party, which said notes and trust deed shall be signed and executed by said assignee, and it is further agreed that upon second party selling and assigning its interest in and to this contract of purchase and sale for the personal property herein described or any contract

of purchase and sale in lieu of this agreement to an assignee as herein provided, second party shall thereupon be released from all further obligations from said date of transfer under and/or by reason of this agreement, and any conditional sales contract executed in lieu hereof shall expressly so provide by its terms. That is to say, that second party shall at all times have the right to be released from all liabilities and obligations incurred under and by reason of this agreement upon transferring to the assignee of second party herein provided all of its right, title and interest in and to said real and personal property and the assignee assuming all said liability as herein provided and first party agrees that this shall be binding upon any assignee or successor in interest of first party in said property and/or under this agreement or by reason of any instruments executed pursuant to this agreement, and that such right of second party shall be specifically stated in any assignment or instrument executed under and by reason of this agreement and that any assignee or successor in interest of first party shall agree that second party shall be so released.

In the event the party of the second part is in default in any of the aforesaid payments, the entire balance of the purchase price then remaining unpaid shall immediately become due and payable at the option of the party of the first part.

The title to the real estate and to all personal property of any nature whatsoever shall remain vested in the party of the first part until all agree-

ments of any payments to be made by the party of the second part shall have been duly and punctually performed and made by the party of the second part.

The party of the second part shall not sell, assign or transfer this contract, nor sell or mortgage any of the property, real or personal, which is the subject of this agreement, except that the party of the second part may sell and transfer this contract [766] and all its rights therein and thereto to a corporation now formed or to be formed in which Cecil B. de Mille will hold not less than forty-eight (48%) per cent of the capital stock thereof, which will engage in the production of motion pictures, which corporation shall at the time of said transfer assume all the obligations of the party of the second part under this agreement and will execute an acceptance thereof with the party of the first part. It is understood and agreed that in the event second party shall sell and transfer this contract and/or all its right therein and thereto as herein provided, second party shall thereupon be released from all further obligations from said date of transfer under and/or by reason of this agreement.

It is understood and agreed that during such time as the title to the property, real and personal, which is the subject of this agreement shall remain vested in the party of the first part that the party of the second part will use said property with all reasonable care and caution and will not cause or permit said personal property, or any part of it, to be removed from the premises except in use

temporarily for motion picture production outside of the studio, in which instance or instances it is to be returned in reasonable time to the premises and shall be answerable to the party of the first part for any damage or physical injury to the said property which shall not be due to ordinary wear and tear. The party of the second part agrees that during such time as the title to said property, real and personal, shall remain in the party of the first part, to keep all of said property in good repair and to replace immediately with similar property of equal value any part or parts of said property which shall be consumed in the operation of the studio or destroyed, lost or materially damaged beyond repair by any cause whatsoever, provided that the party of the second part shall not be obliged to replace any [767] building or equipment or other personal property for which the party of the first part has been fully compensated.

The party of the first part by its authorized agent shall have access at all times during business hours to said property and equipment and to all the buildings situated thereon for the purpose of inspecting and inventorying same, and the party of the second part agrees to make immediately all repairs and replacements required under this contract that the party of the first part may report to it in writing after said inspection or inventory. The party of the first part by its authorized agent, shall at its option make an inventory as to the personal property and equipment on the premises on the 23rd day of January and the 23rd day of July, respectively, of each

year until One Half (½) of the full purchase price under this agreement has been paid, and in said inventory all replacements of personal property for personal property belonging to the party of the first part which has been lost, destroyed, consumed, sold or taken from the premises shall be listed in said inventory as property of the party of the first part and subject to the terms and provisions of this agreement, and the party of the second part agrees to execute to the party of the first part any and all instruments that may be necessary to vest the title of said replaced personal property in the party of the first part at the time of the completion of said inventory.

It is understood and agreed that the party of the second part may make such alterations and changes or replacements in the buildings and equipment as it may desire provided that such alterations and changes do not lessen the value of any of said equipment or buildings so altered, changed or replaced, or render said buildings or equipment less adapted or useful in the production of motion pictures or of less value as a unit of the present motion picture production plant. [768]

It is understood and agreed that the party of the second part will during the first two years of this agreement spend not less than fifty Thousand ($50,000.00) Dollars in material permanent improvements to the present plant other than repairs and maintenance, all of which improvements shall be such that they will form a part of the real property which is the subject of this agreement and the title

to which will vest in the party of the first part until conveyed to the party of the second part as provided by the terms of this agreement. It is understood and agreed, however, that second party may, in lieu of making the permanent improvements herein provided, or any part thereof, pay the first party the sum of Fifty Thousand ($50,000.00) Dollars, or such proportion thereof as has not been expended upon the permanent improvements herein provided, which said sum shall apply upon the unpaid balance of the purchase price.

It is further agreed that the party of the second part may remove or replace the present wardrobe building and erect a building for said purpose in its place, and may remove or replace the present laboratory and erect a laboratory in place of same, provided that the new buildings are not of less value than the present buildings and are erected without any delay after the buildings which they are to replace have been removed. It is understood and agreed that in the event second party shall remove or replace the present wardrobe building and erect a building for said purpose in its place and/or remove or replace the present laboratory and erect a laboratory in place of the same, and either or both of said buildings shall exceed the value of the building it is to replace at the time of such replacement, then second party shall be credited the difference between the value of the old building and the cost of the building which replaces the same, upon said sum of Fifty Thousand ($50,000.00) Dollars referred to in the pre- [769] ceding paragraph to be

expended by second party upon permanent improvements. It is further understood and agreed that all sums expended by second party on any permanent improvements to buildings upon said premises by second party during the first two years of this agreement, whether the same is a part of the present plant upon said premises or otherwise, shall be credited upon said sum of Fifty Thousand ($50,000.00) Dollars provided in the last preceding paragraph to be expended upon permanent improvements by second party.

The party of the second part agrees to carry insurance in first class companies upon said studio and all equipment and property herein agreed to be sold and conveyed, sufficient to fully protect the party of the first part and which shall be in an amount not less than twenty-five (25%) per cent more than what may be the balance of the time of taking said insurance due the party of the first part upon the purchase price herein provided, and in any event the party of the second part shall not be required to take out insurance in excess of $500,000.00, and to cause the said insurance policies to be assigned to the party of the first part as its interests may appear, and should the party of the second part fail to renew said insurance thirty days prior to the expiration of said policies then the party of the first part may do so and the party of the second part agrees to pay the premium thereupon upon presentation of a bill therefor, and its failure so to do shall constitute a default on its part upon a material and essential provision of this contract.

In the event of either total or partial loss or destruction of said buildings and/or equipment, the party of the second part shall promptly give notice in writing to the party of the first part of such total or partial loss or destruction. The party of the second part shall thereafter, with due dispatch, rebuild and [770] repair the buildings totally destroyed and replace the equipment destroyed and in the event of partial loss or destruction, make such repairs and replacements to said buildings and/or equipment as may be necessary to restor*y* them to their condition prior to such loss or destruction. For the purpose of rebuilding and/or replacing the loss and/or destruction of said buildings and/or equipment or any part thereof, the first party shall place in escrow to pay for the replacement or rebuilding, the total monies collected from the insurance companies by reason of such loss or destruction, and the party of the second part will pay the balance of the cost thereof. The party of the first part shall not be liable to the party of the second part for any damages which the party of the second part may sustain as a result of delays or from any other cause whatsoever caused by either total or partial loss and/or destruction of said buildings or equipment or delays in repairs or replacements. It is understood and agreed, however, that in the event second party shall elect not to rebuild or repair any loss or destruction of the buildings and/or equipment as herein provided and shall elect to pay the unpaid balance of the purchase price of the property herein

described, then first party may retain all sums received as insurance by reason of the loss or destruction of said buildings and equipment and shall credit the same upon the unpaid purchase price thereof. It is further agreed that in the event that the cost of rebuilding, reconstructing, replacing and/or repairing any of the buildings or equipment shall be less than the amount of the insurance received by first party by reason of the loss or destruction thereof, then first party may retain such portion of said insurance money as is not used for the rebuilding, repairing, replacement and reconstruction of said buildings or equipment, and apply the same upon the unpaid balance of the purchase price and such interest as may be due thereon at that time. [771]

In the event of the destruction of the greater part of the buildings and/or equipment upon the premises herein agreed to be conveyed prior to the time of the second party taking possession thereof, then and in that event second party may elect within ten days, thereafter to terminate this agreement and upon receipt by the first party of written notice of such election, this agreement shall thereupon terminate and become null and void and of no effect, and first party agrees to immediately thereafter refund to second party said sum of Ten Thousand ($10,000.00) Dollars, the first payment on the purchase price hereunder.

It is understood and agreed that the party of the second part, after it shall take possession

of said property, shall pay all State, County, City and Federal taxes and/or assessments thereafter assessed upon or on account of said property or any part thereof.

It is further agreed that during the time that the title to the property, real and personal, which is subject to this party of the second part will not permit any liens, judgments or encumbrances to be placed or remain on said property, or any part thereof, due to any act or omission of the party of the second part. If for any reason a lien is filed upon said property by reason of any act or omission of the party of the second part the party of the second part agrees to immediately inform the party of the first part and on written notice from the party of the first part, to cause said lien to be removed or indemnify first party against the same, and its failure to so do will be a breach of an essential provision of this agreement.

It is further agreed that the party of the second part will take possession of said premises not later than sixty (60) days after the execution of this agreement and that the party of the first part will deliver possession on demand to the party of the second part, subject to rental contracts, providing that the [772] party of the first part has received ten (10) days notice thereof and providing that the party of the second part will have performed all obligations on its part to be performed to that date. Any monies received on account of future

rentals to be adjusted to date of taking possession.

It is further agreed that taxes for the year 1924-25 and insurance now carried on the property will be pro rated as of the date on which the party of the second part shall take possession.

Upon the breach of the party of the second part of any of the above covenants, provisions or agreements, or upon the bankruptcy of, or insolvency of, or upon a general assignment to creditors by the second party, or in the event of the failure of the second party to make any of the said payments when the same shall become due, as aforesaid, the first party may retake possession of said property and equipment, free of all claims whatsoever; and to that end the party of the first part may, without notice to the party of the second part, enter said premises and take possession of said property and equipment, or any of said chattels; and the party of the second part hereby waives any action for trespass, or damage, therefor, and waives any right of resistance thereto; and the party of the first part, in that event, may retain as compensation for the use of said property and equipment and for the depreciation thereto, any sums of money which the party of the second part may have theretofore paid in respect of said property and equipment.

It is understood and agreed that upon the default of the party of the second part to pay any taxes or assessments of any nature whatsoever required to be paid by it under the terms of this

contract or shall default in the taking out or the paying of any premiums of insurance upon said property, as required herein, or [773] shall fail, neglect or refuse to remove any lien or judgment or indemnify first party against same, or other encumbrance caused or permitted by it and not caused by the party of the first part, that the party of the first part may pay said taxes or assessments or insurance premiums or pay such amount as may be necessary to cause said lien to be removed, although it shall not be obligated to do so, and any amount so paid by the party of the first part shall become immediately due and owing to the party of the first part from the party of the second part and a failure or refusal to pay said amount by the second part to the party of the first part shall be a default upon a material and essential provision of this contract.

It is further understood and agreed that the title machine which is a part of the studio equipment of the party of the first part, which is subject to this conveyance, is owned by the Hollywood Laboratories, Inc., and all of the stock of said corporation is owned by the party of the first part, and a transfer by the party of the first part to the party of the second part of such equipment and accessories is to be made by a transfer of the stock of the Hollywood Laboratories, Inc., and further, that any Federal, State, County or Municipal taxes against the Hollywood Laboratories, Inc., or its franchises or property, shall be assumed and paid by the party of the second part during such time

as the title to said corporation stock shall be vested in the party of the first part; and further, it is understood that one of the patents to said title machine is in the name of Charles H. Thimme, who is entitled to receive a royalty upon the product of said laboratory in the amount of one-third (1/3) of a cent per foot of film as provided by said royalty agreement.

It is further understood and agreed that all of the property subject to this agreement will be delivered to the party [774] of the second part free and clear of any lien, mortgage or encumbrance, except approximately Six Thousand ($6,000.00) Dollars due on the purchase of automobiles included in said property and Three Thousand ($3,000.00) Dollars on account of a chattel mortgage upon machinery known as the Intertype Machine, and that the party of the first part assumes the payment of the balance on account of the said automobiles and the party of the second part assumes the payment on account of the Intertype Machine in the sum of $3,000.00, and agrees to reimburse the party of the first part of any sums on account of the payment of said $3,000.00 which it may have made prior to the time of the party of the second part taking possession of said property.

It is further understood and agreed that after the party of the second part, or its assignee, has paid upon the purchase price, as hereinabove set forth, exclusive of any payment of interest there-

upon, the sum of One Hundred and Fifty Thousand ($150,000.00) Dollars that at its option it, or its assignee, shall receive a deed to said real estate herein referred to, upon its executing a first trust deed upon said property in favor of a trustee selected by the party of the first part for the benefit of the party of the first part as security for its note in such amount as shall remain due upon the said purchase price at that time, and payable on or before January 23rd, 1930, with interest at 5½% per annum, payable semi-annually on the 23rd day of January and the 23rd day of July of each year, provided, however, that the party of the second part has duly performed all obligations on its part to be performed in accordance with this agreement; and further, that at the time of the deeding of said property by the party of the first part to the party of the second part, or its assignee, that the party of the second part, or its assignee, will at that time execute an agreement for conditional sale of the personal property consisting of all the [775] personal property included in the provisions of this agreement and specifically reserving title thereto in the party of the first part and containing all the clauses and provisions of this agreement which will be applicable thereto.

All promises, understandings or agreements of any kind pertaining to this purchase, or to this agreement, not contained herein, are hereby expressly waived; and it is agreed that this instrument

shall constitute the entire agreement between the parties hereto.

It is understood and agreed that time is of the essence of this agreement and in the event of failure to comply with any of the terms or provisions hereof by said party of the second part within the time herein provided, then said party of the first part after such default shall if same has not been cured as hereinafter provided be released from all obligations in law or equity to convey said property and the party of the second part shall forfeit all right thereto and all money theretofore paid under this contract.

In the event that the first party shall claim that the second party is in default in the performance of any of the terms, covenants, provisions or conditions of this agreement to be performed by the second party, then the first party shall notify the second party in writing of the alleged default and the second party shall, within thirty (30) days from the time such notice is given, cure such alleged default, if the same actually exists. Any waiver as to the performance of any act or provision under the terms of this contract shall not be construed as a continuing waiver.

Party of the first part, on receiving the full payment as herein provided, agrees to deliver to said party of the second part, a guarantee of title showing title to said property to be vested in Thos. H. Ince Corporation, free and clear of all encumbrances except such as the party of the second

part may be required to pay under the terms of this agreement and may not have been paid.

It is further agreed that until one half of the purchase price of said property has been paid that the party of the second part will not change the front or appearance of the present adminis- [776] tration building or erect any building or permanent structure in front of the same without the consent of the party of the first part.

First party agrees that it will not make or allow to be made, any lease or rental contract for the use of said premises or any part thereof, or any of the equipment thereof, for a term exceeding sixty (60) days from date hereof and does hereby further represent and warrant that there is no existing lease or rental contract upon said premises or any part thereof, or upon or for any of the equipment thereon, that will not expire by its terms within sixty (60) days from the execution of this agreement.

Time is of the essence of every term, covenant and condition to be done and/or performed by first party and is a condition precedent to the obligation of second party to perform any of the terms, covenants or conditions agreed to be done and performed by second party.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be signed by their respective Presidents, thereunto duly authorized, and their corporate seals to be affixed, attested by

their Secretaries, the day and year first above written.

[Seal] THOS. H. INCE CORPORATION
[Seal] By ELINOR K. INCE (Signed)
Pres.
Party of the First Part

Attest:
INGLE CARPENTER (Signed)
Secretary

CECIL B. deMILLE
PRODUCTIONS, INC.
By ELLA KING ADAMS, (Signed)
Vice Pres.
Party of the Second Part.

Attest:
J. H. FISHER (Signed)
Secretary [777]

State of California
County of Los Angeles—ss.

On this 23rd day of January, in the year nineteen hundred and twenty-five, A. D., before me, G. C. Burkhart, a Notary Public in and for the said County of Los Angeles, State of California, residing therein, duly commissioned and sworn, personally appeared Elinor K. Ince, known to me to be the President and Ingle Carpenter, known to me to be the Secretary of the Thomas H. Ince Corporation, the Corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the Corporation therein named and acknowledged to me that such Corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in said county the day and year in this certificate first above written.

[Seal] G. B. BURKHART (Signed)
Notary Public in and for Los Angeles County, State of California. [778]

PETITIONER'S EXHIBIT 6.

[Endorsed]: Admitted in evidence Dec. 14, 1933.

COPY

THIS AGREEMENT MADE AND ENTERED INTO, this 16th day of November 1923, by and between FAMOUS PLAYERS LASKY CORPORATION, a corporation organized and existing under and by virtue of the laws of the State of New York and authorized to transact business in the State of California, party of the first part, hereinafter called the "DISTRIBUTOR", and CECIL B. deMILLE PRODUCTIONS, INC., a corporation organized and existing under and by virtue of the laws of the State of California, hereinafter called the "PRODUCER".

WITNESSETH:

That the Producer hereby agrees to manufacture and produce not less than three (3) nor more than four (4) motion pictures during each period of two years from the 1st day of January, 1924, each of

which shall be directed by CECIL B. deMILLE PERSONALLY, and to deliver all of the productions so produced and manufactured by the Producer and so directed by the said Cecil B. deMille, to the Distributor, as and when the same are completed.

The Distributor agrees to accept all of the productions so produced and manufactured by the Producer and directed by the said Cecil B. deMille and delivered to it by the Producer, and to cause an adequate number of positive prints of each of said productions to be made.

Each and all of such pictures shall during the course of their production, and at and after their completion, be, and remain the sole property of the Distributor, for the exclusive use of the Distributor in all parts of the world, except however, and with the express reservation to the Producer that none of said productions shall be released in the United States other than through the regular exchanges of the Distributor nor shall they or any of them be distributed elsewhere other than through the regular channels at present employed or which may be hereafter employed for the best productions of the Distributor, nor [779] shall they be sold outright within the United States or by the method referred to as "state rights" within the United States, without the consent of the Producer first having been obtained in writing, provided, however, that said productions may be exhibited by the Distributor or a subsidiary thereof, at its option, in any

locality or localities, instead of licensing others to exhibit the same. It is understood and agreed that all of such pictures shall be marketed separately and not in connection with any other production or picture, and none of the productions to be delivered hereunder shall be used in any way to influence, or to carry the sale of any other production or picture.

The Distributor shall furnish to the Producer, and the Producer shall be entitled to use, as and when it shall desire the use of the same, and at the same rate charged by the Distributor for similar equipment to its own productions, all of the facilities and property of the Distributor, to the full extent that the Producer has heretofore been accustomed or privileged to use the same. The Producer shall at all times, so long as it keeps within the production cost hereinafter specified, have sole and complete charge, without any interference from the Distributor, of the production of the pictures to be made and delivered to the Distributor under the terms hereof. The Distributor shall also furnish to the Producer, without any adidtional charge therefor, the use of the quarters now occupied by the said CECIL B. deMILLE PRODUCTIONS, INC., and the facilities in connection therewith, all in the studios of the Distributor at 1520 North Vine Street, Hollywood, California, for the use of the executive forces of the Producer. In the event that the studios of the Distributor are moved from their present location, then it is understood and

agreed that the said CECIL B. deMILLE PRODUCTIONS, INC., will be located in the new studios, and that the quarters to be occupied by the said CECIL [780] B. deMILLE PRODUCTIONS, INC., in such new studios, if acquired, shall be at least as adequate as the ones now occupied by the CECIL B. deMILLE PRODUCTIONS, INC.

The Distributor agrees to pay all liabilities and obligations and expenses incurred by the Producer in the manufacture of each and all of the productions to be delivered to the Distributor under the terms hereof, so long as the Producer stays within the production cost herein provided, as and when such liabilities, expenses and obligations are due and payable, including all compensation and liability insurance, and wherever possible, the Distributor shall cause the manufacture of pictures hereunder to be covered by the insurance carried by the Distributor. The negative cost of each of said motion pictures, however, shall not exceed the sum of ONE MILLION DOLLARS ($1,000,000) exclusive of the weekly advances to the Producer, without the written consent of the Distributor first having been obtained to the expenditure of such excess, it being expressly understood and agreed, that the advances made to the Producer are on account of the percentage of the gross of the Producer, and are not in any way a part of the negative cost, or the cost of the production of said pictures.

In arriving at the negative cost of each picture produced under the terms hereof, the methods of

accounting now used by the Distributor at its Los Angeles studios shall be followed and used, and the amounts other than overhead properly chargeable to the pictures of the Producer shall be taken as of a time midway between the date of the commencement of the photographing of the picture, the cost of which is being computed, and the date of the completion of the photographing of the last picture completed immediately prior thereto, and shall run until midway between the completion of the photographing of said picture and the commencement of the photographing on the suc- [781] ceeding picture. The methods now being used by the Distributor at its California studios, in computing overhead on all pictures, shall be followed in computing overhead on all pictures made by the Producer under the terms hereof, except that as to all pictures made by the Producer, the percentage charged for overhead on the negative cost in excess of FIVE HUNDRED THOUSAND DOLLARS ($500,000) shall be one-third (1/3) of the percentage charged on the first ONE HUNDRED THOUSAND DOLLARS ($100,000) for each negative.

There shall not be included in any overhead, any cost or charge for the publicity or scenario department of the Distributor, or any overhead on account of any other departments of the Distributor, if the Producer maintains a department for the same purpose, that is to say, it is contemplated that

the Producer will maintain special publicity, scenario and possibly wardrobe departments, and in the event of its so doing, from time to time, no charge for similar departments maintained by the Distributor shall be made against the pictures of the Producer.

All obligations and all expenses incurred, and all expenditures made by the Producer in accordance herewith, shall be incurred or made through the Accounting or other proper departments of the Distributor, except where in the opinion of the Distributor the latter has no department capable of caring for and handling the same. All payments of such expense, obligations and expenditures shall be made in the name of CECIL B. deMILLE PRODUCTIONS, INC., where in the joint judgment of the Distributor and the Producer such method is feasible.

A contract is now in existence between the Distributor and the Producer, which said contract was originally entered into between the Distributor and CECIL B. deMILLE PRODUCTIONS, a copartnership, as of the 16th day of AUGUST, 1920, [782] and which contract was subsequently assigned to CECIL B. deMILLE PRODUCTIONS, INC., the Producer herein named, which said Producer has succeeded to all of the rights therein formerly held by CECIL B. deMILLE PRODUCTIONS, a co-partnership. Said contract is hereby terminated and cancelled and each of the parties

thereto is hereby relieved from any and all liability and obligations of every kind thereunder, it being understood that the obligations to be performed on account of everything that has been done under said contract dated August 16, 1920, will be provided for herein.

It is agreed that the pictures "AFFAIRS OF ANATOLE", "SATURDAY NIGHT", "FOOLS PARADISE", "MANSLAUGHTER", and "ADAM'S RIB" shall be considered as having been produced under said agreement dated as of August 16, 1920, and that the picture "THE TEN COMMANDMENTS" and all pictures hereafter produced during the term of this contract, shall be considered as having been produced under the term of this agreement.

All pictures produced under said agreement of August 16, 1920, shall be exhibited, distributed and publicized in accordance with the terms provided for herein for the exhibition, distribution and publicizing of pictures to be made under the terms of this agreement.

In lieu of the compensation and guarantees provided for in said agreement of August 16, 1920, to be paid to the Producer for and on account of the pictures produced under said agreement of August 16, 1920, the Distributor shall, and promises and agrees to pay to the Producer, twenty per cent (20%) of the gross amounts heretofore or hereafter received by the Distributor, throughout the entire world, from or on account of the distribution, sale

and any other use or disposition of said productions, and of each of them, until the said gross amounts from each such picture, have reached the sum of [783] ONE MILLION DOLLARS ($1,000,000) and to pay to the Producer, twenty-five per cent (25%) of the gross amounts from each such pictures, over and above the sum of ONE MILLION DOLLARS ($1,000,000) so received by the Distributor.

"Gross amounts", "Gross revenue" to the Distributor, from the pictures, or "gross film rental" as used in this contract shall be defined as follows:

1. FOR THE UNITED STATES:

(a) Gross amounts paid by the exhibitors other than those in which Famous Players Lasky have control, for the use of the prints of said pictures.

(b) Percentage of the gross receipts from road showing of any such productions, as hereinafter provided.

(c) Gross amounts paid by theaters where such films are shown, for the use of such prints, in which theaters the Distributor or a subsidiary thereof has control as hereinafter provided.

(d) Gross amounts received by the Distributor from any other use or disposition of said films in the United States.

2. FOR FOREIGN COUNTRIES.

(a) For foreign countries it shall be the amounts paid or credited to Famous Players Lasky Corporation of New York for, or on ac-

count of the use of the prints of said productions in such foreign countries.

this definition to obtain, irrespective of whether Famous Players Lasky Corporation is a minority or majority stockholder in the corporations actually distributing these productions in foreign countries.

For the purpose of computing the percentage to be paid on the amounts received from each picture, whether more or less than ONE MILLION DOLLARS ($1,000,000) the returns from each picture shall be computed separately.

The Distributor shall, and promises and agrees to pay to the Producer for each and every picture produced under the terms of this agreement, commencing with the picture known as "THE TEN COMMANDMENTS", fifteen (15%) per cent of the gross [784] amounts, up to the sum of ONE MILLION DOLLARS ($1,000,000) received by the Distributor from or on account of the distribution, sale and any other use or disposition of said pictures and each of them, and shall pay to the Producer twenty-five per cent (25%) of the gross amounts over and above the sum of ONE MILLION DOLLARS ($1,000,000) so received on account of each and every one of said pictures, provided, however, that each picture produced under the terms hereof, shall, when the same is completed, be classified as either a large or a small picture; said classification shall be made by a committee consisting of one person nominated by the Distributor and one

person nominated by the Producer, and in the event that the two persons so nominated cannot agree upon the classification for said pictures, then they shall select a third person, who shall, upon the making of such selection, become a member of said committee, and the committee then composed of three members, shall by a majority vote, classify such picture as a large or small picture. In the event that the parties are unable to agree upon such third person, or either of the parties fails to select an arbitrator to represent it, within fifteen (15) days from the notice of the appointment of an arbitrator by the other party, then the arbitrator who is not so appointed shall be nominated and appointed by Will H. Hays, President of the Motion Picture Producers and Distributors Association, or his successor in office. The third person so selected shall act only in connection with the picture under consideration at the time he is so selected.

In the event that during any one year period beginning January 1, 1924, the Producer manufactures two or more pictures which shall be classified as small pictures, then the Producer shall be paid on account of each of such small pictures, twenty per cent (20%) of the gross amounts up to ONE MILLION DOLLARS [785] ($1,000,000) from each such picture, received by the Distributor on account thereof, as hereinbefore described, and twenty-five per cent (25) of the gross amounts in excess of ONE MILLION DOLLARS ($1,000,000) from each such picture received by the Distributor as hereinbefore described.

The Distributor shall keep true and accurate records and accounts of any and all moneys received and proper charges made from and on account of each and every of the pictures made by the Producer under the terms hereof, and under the terms of said agreement of August 16, 1920, which said records and books shall be open to the inspection and examination of the Producer at any and all times whatsoever.

The Distributor shall, and promises and agrees to pay to the Producer as an advance against the moneys which the Producer shall be entitled to receive on account of the said percentages, the sum of SIXTY SEVEN HUNDRED THIRTY ONE DOLLARS ($6731.00) on Saturday the 17th day of November, 1923, and $6731.00 on Saturday of each week thereafter during the period of this agreement, which said moneys so advanced to the Producer, the Producer shall not in any event, or under any conditions, repay, or be required or obliged to repay to the Distributor.

In addition, there shall be credited to the Distributor on account of the amounts to be paid to the Producer as the percentages on the pictures produced under the terms of said agreement of August 16, 1920, and the pictures produced under the terms of this agreement, any and all moneys heretofore or hereafter paid to the Producer as advances or as a part of the profits of any of said pictures produced under the contract of August 16, 1920.

The weekly advances to be made to the Producer, and [786] the moneys heretofore paid the Pro-

ducer, shall not be considered as having been made on account of any particular picture, but shall be made only against any and all amounts which the Producer is or may be hereafter entitled to receive, that is to say, that whereas under the agreement of August 16, 1920, advances were made to the Producer on account of each picture separately, and in the event that the percentages which the Producer was entitled to receive on account of such pictures were not equal to, or greater than the amount of the advances which had been made by the Distributor, nevertheless, the Distributor could not charge the deficiency to any other picture, whereas it is the purpose and intention of this agreement, that any losses which it might be considered that the Distributor has suffered by reason of an excess of advances to the Producer on any one picture, over and above the percentage which the Producer is entitled to receive, may be recouped by the Distributor from the amounts which the Producer will be entitled to receive on account of any one or more of the other pictures, over and above the amount of the advances which it might be considered that the Distributor has paid to the Producer on account thereof, so that while the said Producer shall, during the entire period of this agreement, be entitled to receive, and shall be paid as advances, the sum of $6731.00 each and every week thereof, nevertheless, the Distributor shall not be required to pay to the Producer any amounts other than said weekly payments of said $6731.00 each, until the amount which the Pro-

ducer is entitled to receive as its percentage, exceeds the total amount of the weekly advances paid to the Producer under this agreement and under the agreement of August 16, 1920, up to any such time.

In the event that the Distributor itself exhibits said pictures or any of them, in the method commonly referred to and described as "road showing" in any locality or locali- [787] ties instead of licensing others (which others may include theaters owned partially or entirely by the Distributor) to so exhibit the same, then for the purpose of computing the percentages which the Producer would be entitled to receive from each such road show, there shall be deducted from the gross amounts received by the theater where such picture is so exhibited by the Distributor, on account of the exhibition of the same, only the weekly expenses of such theater, that is to say, the operating charges of such house shall be computed as such items or charges are customarily computed or made by theater owners or operators in the city where such theater exists, in the conduct of their own business, if they were paying a flat rental charge for the use of said pictures, and there shall not be computed or considered as part of such weekly expenses, any cost or charge for the special exploitation department of the Distributor, assigned to, or working in connection with said picture, or any other overhead costs of any kind. The remainder of the gross receipts of such theater, after deducting the said weekly expenses, shall be considered

film rental received by the Distributor in computing the amount of which the Producer is entitled to a percentage.

Where any or all of said productions are shown in the regular motion picture theaters owned or operated by the Distributor or a subsidiary thereof, which the Distributor controls (other than as a road show) the percentage of the gross receipts which the Distributor shall exact as film rental shall be as large as the percentage or flat rental paid for the best motion pictures which are shown in said theater, and the amounts which said picture shall receive in actual money from said showing, shall be as much as could be obtained for said motion picture if the same were sold to some other theater in said locality, commensurate with good business practices.

The Distributor shall furnish to the Producer each ninety (90) days from the date hereof, a true and accurate state- [788] ment, showing in detail the gross amounts received from or on account of each of the pictures made by the Producer under the terms hereof, and under the terms of said agreement of August 16, 1920, and showing also the amount of any and all advances made to the Producer up to such time, and showing the amount, if any, then due to the Producer on account of the percentages to be paid to it hereunder, or any difference between the advances theretofore made, and the amount to which the Producer is at that date entitled, and it shall accompany such statement with a check for

any amount which shall at such time be due to the Producer.

Reports of the amounts received from each of said productions shall be furnished each week to the Producer at Los Angeles, California, in the same manner that such reports are furnished at the present time, and in addition thereto such reports shall show the amounts, if any, received from each road show company exhibiting such picture.

Each and every of the pictures delivered to the Distributor under the terms hereof shall be advertised and publicized by it to the same extent and in the same general manner as is indicated by the advertising and publicity given to the photoplays delivered to the Distributor by the Producer under the said contract dated August 16, 1920, and marketed by the Distributor, and in all publicity and advertising the name of CECIL B. DeMILLE shall receive such attention and prominence as was given to it in the advertising and publicity of said pictures, and each and every of said pictures shall be announced as a "CECIL B. deMILLE PRODUCTION."

The Producer covenants and agrees that it will produce no motion pictures except those deliverable hereunder, and it further guarantees and agrees that it will not permit the name of CECIL B. deMILLE to be announced as the maker, director or supervisor, or as interested in the production of any motion picture except those deliverable hereunder, and

it [789] represents that it has a contract with the said CECIL B. deMILLE for his exclusive services during the period of this contract.

No motion pictures shall be announced as having been made by CECIL B. deMILLE or by the Producer, within three (3) months after the termination of this contract, nor shall any motion picture made, directed or supervised *by, be* released for a period of four (4) months after the termination of this contract.

Cecil B. deMille shall have supreme authority in the conduct and operation of the California studios of the Distributor subject only at all times to the authority of Mr. Jesse L. Lasky, provided, however, that any authority exercised by Mr. deMille shall, in the judgment of the said Cecil B. deMille, be for the best interests of the Famous Players Lasky Corporation. Mr. deMille shall have supreme authority in all matters pertaining to the production of the pictures to be made by the Producer herein, so long as said pictures are made in compliance with the terms hereof.

All material, property, appliances and equipment of every kind heretofore purchased and used in connection with the production of any of the pictures heretofore made under said agreement of August 16, 1920, including the picture "THE TEN COMMANDMENTS" and down to the date hereof, shall belong to the Distributor, except the properties hereinafter described, and the Producer does hereby

grant, bargain, sell, assign, transfer and set over unto the Distributor, any and all such material, properties, appliances and equipment of every kind, except that the Producer shall retain and own all of the cameras and camera equipment which it now has and which was heretofore purchased for the making of motion pictures delivered under and pursuant to the agreement of August 16, 1920, it being further understood that the Producer shall be entitled, up- [790] on the termination of this agreement, to retain such cameras and camera equipment and any cameras and camera equipment hereafter purchased for the making of motion pictures by the Producer to be delivered under and pursuant to this agreement, both the cameras and equipment now in possession of the Producer and the cameras and equipment hereafter purchased, not to exceed in value the sum of FIFTY THOUSAND DOLLARS ($50,000.00). The said value shall be established by one person selected by the Producer and one person selected by the Distributor, and in the event that such two persons are unable to agree, then such two persons shall select a third, and the said three persons shall then by a majority vote of the three, fix and determine the value of said cameras and camera equipment so taken and retained by the Producer and in the event that the same is of a value in excess of FIFTY THOUSAND DOLLARS ($50,000.00) the Producer shall return so much thereof until the amount retained by him is of a value not in excess of FIFTY THOUSAND

DOLLARS ($50,000) according to an appraisement fixed by said committee. In the event that the amount of cameras and camera equipment so retained by the Producer is of a value less than FIFTY THOUSAND DOLLARS ($50,000) according to the appraisement of said committee, then the Producer shall be entitled to take other and additional cameras and camera equipment until the total amount taken and retained by him is of a value equal to FIFTY THOUSAND DOLLARS ($50,000) and the Distributor does hereby grant, bargain, sell, assign, transfer and set over unto the Producer all of such cameras and camera equipment either now in the possession of or used by the Producer or that may be hereafter acquired by it, up to and not in excess of a value of FIFTY THOUSAND DOLLARS ($50,000).

All other cameras and camera equipment over and above the said FIFTY THOUSAND DOLLARS ($50,000) shall be the property of the Distributor on the termination of this agreement, and all such cameras and camera equipment hereby transferred to the Producer shall be used for the photographing of motion pictures to be de- [791] livered under and pursuant to this contract, without charge to the Distributor, it being understood, however, that repairs to such cameras or camera equipment shall be paid for by the Distributor and considered part of the negative cost of the picture being made at the time of said repairing, and that in addition thereto, any new cameras or camera

equipment purchased for use in the making of the productions to be delivered by the Producer to the Distributor hereunder, may be purchased by the Producer, and the cost thereof charged as part of the negative cost to the picture being produced at the time the same is so purchased. All property other than said cameras and camera equipment hereafter acquired by the Producer in the making of pictures to be delivered to the Distributor hereunder, shall be and remain the property of the Distributor.

This agreement and the respective obligations of the parties hereunder, shall continue and be binding upon the parties hereto until the same is terminated either by operation of law, or in the manner hereinafter set forth, to wit:

Either of the parties hereto may terminate this agreement by giving the other party hereto sixty (60) days notice in writing, of the election of such party to terminate the agreement, and the agreement shall terminate and be of no further force or effect upon the expiration of said sixty days, except to define the rights and obligations of the parties as to anything that has theretofore transpired. The percentages to be paid to the Producer under this contract shall continue to be paid on all pictures produced hereunder, and shall not cease upon the termination of this agreement.

In the event, however, that the Producer is engaged in the making of a picture under the terms hereof, which is uncompleted at the time of the ex-

piration of said sixty days, then the Producer shall, nevertheless, continue the making of [792] said picture until the same is completed, and this contract shall not be terminated until the completion of such motion picture.

In the event that this contract is so terminated by the Producer, then the Producer shall be entitled to, and there shall be transferred to it:

1. The contracts and rights of the Distributor to the services of all of the members of the staff of the Producer, the offices composing which staff are as follows:

Assistant directors and assistants,
Cameraman and assistants,
Art director and assistants,
Scenario writer and assistants,
Publicity man and assistants,
Set electrician,
Property man,
Grip,
Set carpenter,
Wardrobe mistress and designer and draper,
Production manager,
Play reader and assistants,
Prop maker,
Cutter,
Man from Pomroy's Dept.

2. Any two actors or actresses whom the Producer has taken for development and whom he is then developing.

In the event that this agreement is terminated by the Distributor, then the Producer shall be entitled

to, and shall have the services of, and there shall be transferred to him;

1. The contracts for the services of the staff of the Producer above described.

2. Any two actors or actresses whom the Producer has taken for development and is then developing.

3. Any two actors or actresses developed under the Producer immediately prior to the ones then being developed, provided, however, that the Producer shall not be entitled to select any actor or actress developed prior to Leatrice Joy and Rod LaRocq for any purposes under this clause, or the preceding or succeeding clauses.

4. In addition thereto, any other actor or ac- [793] tresses who have been developed under the Producer, unless the Distributor desires to keep or retain the services of any of such others, provided for in this sub-division 4, and in the event that the Distributor desires to or does retain the services of any of the said other actors or actresses so provided for in this sub-division 4, unless the Producer does not desire to take such actors or actresses, then it shall be entitled to do so, and the Producer shall not be entitled to take any such others, or to the services of them, but in lieu thereof, the Distributor shall pay to the Producer the sum of FIFTY THOUSAND DOLLARS ($50,000).

The Distributor shall cause a clause to be inserted in the contracts of each of the parties whom the Producer is or may have the right to take with

it, in the event of the termination of this agreement, as hereinbefore provided, to the effect that their services shall be performed either for the Distributor or for the Producer, provided, however, that it shall not be considered a default on the part of the Distributor if the Distributor is unable to cause such a clause to be inserted in the contracts which are now in effect, without giving additional compensation for such clause to the other parties thereto.

In the event of the death of Cecil B. deMille, or such incapacity as prevents him from completing a motion picture then in production, such picture shall nevertheless be completed and distributed by the Distributor in accordance with all of the terms and provisions hereof, except that the director who shall complete said production in the event of the death of the said Cecil B. deMille or his incapacity as aforesaid, shall be selected by the Distributor and shall first be approved by the Producer, and shall direct said picture under the supervision of the Distributor, and any compensation paid to such director for his services in the completing of said picture shall be recouped by the Distributor in the same way as the weekly advances paid to the Producer [794] hereunder are recouped by the Distributor, and the weekly advances of 6731.00 per week shall cease upon the death or incapacity of Cecil B. deMille as aforesaid.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be executed by their

duly authorized officers, and have caused their corporate seals to be affixed hereto, all on the day and year first above written.

FAMOUS PLAYERS LASKY CORPORATION

By /s/ Adolph Zukor, Pres.

[Famous Players-Lasky Corporation Corporate Seal.]

CECIL B. deMILLE PRODUCTIONS, INC.,

By /s/ Cecil B. deMille, Pres. [795]

GUARANTY

WHEREAS, the undersigned, CECIL B. deMILLE is one of the holders of stock in CECIL B. deMILLE PRODUCTIONS, INC., a corporation organized and existing under and by virtue of the laws of the State of California, and

WHEREAS, said CECIL B. deMILLE is interested in and desires to procure the execution by FAMOUS PLAYERS LASKY CORPORATION of a certain contract between FAMOUS PLAYERS LASKY CORPORATION and CECIL B. deMILLE PRODUCTIONS, INC., dated of even date herewith, a copy of which is hereto attached and made a part hereof,

NOW THEREFORE, in consideration of the execution of said contract by the said FAMOUS PLAYERS LASKY CORPORATION and of the sum of ONE DOLLAR by said FAMOUS PLAYERS LASKY CORPORATION to said

CECIL B. deMILLE in hand paid, receipt whereof is hereby acknowledged, the said CECIL B. deMILLE hereby warrants and guarantees to and with the said FAMOUS PLAYERS LASKY CORPORATION that the said CECIL B. deMILLE PRODUCTIONS, INC., a corporation organized and existing under and by virtue of the laws of the State of California, will well and truly complete and perform each and all of the terms and conditions of said contract hereto attached, to be performed by the said CECIL B. deMILLE PRODUCTIONS, INC.

And the said CECIL B. deMILLE does further warrant and guarantee to and with the said FAMOUS PLAYERS LASKY CORPORATION that the said CECIL B. deMILLE will well and truly perform all of the services required of him to be performed for and on behalf of said CECIL B. deMILLE PRODUCTIONS, INC., in order to enable said corporation to fully and completely perform each and all of the terms of said contract hereto attached.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 16th day of November, 1923.

/s/ CECIL B. deMILLE. [796]

Addenda to agreement made between FAMOUS PLAYERS-LASKY CORPORATION and CECIL B. DE MILLE PRODUCTIONS, INC., dated the 16th day of November, 1923.

1. It is hereby agreed and understood that no actor or actress shall be employed by the Producer for more than one picture at a time without the approval of Mr. Lasky.

2. The provisions in said contract, providing for the transfer to Cecil B. deMille Productions, Inc., of actors' and actresses' contracts, in the event of the termination of said contract by either party as therein provided, shall always apply, subject to the conditions therein set forth, to such actors or actresses as may be engaged by the Producer, but where any actor or actress in the stock company of the Distributor is used in a picture by the Producer, the question as to whether such actor or actress shall be considered as being developed by the Producer or not will be covered by a special letter.

Dated: November 16, 1923.

FAMOUS PLAYERS-LASKY CORPORATION,

By /s/ Adolph Zukor, Pres.

[Famous Players-Lasky Corporation Corporate Seal.]

CECIL B. DE MILLE PRODUCTIONS, INC.

By /s/ Cecil B. deMille, Pres. [797]

FAMOUS PLAYERS-LASKY CORP.

and

CECIL B. DE MILLE PRODUCTIONS, INC.

AGREEMENT MADE AND ENTERED INTO NOVEMBER 16, 1923. [798]

[Endorsed]: Admitted in evidence Dec. 13, 1936.

PETITIONER'S EXHIBIT NO. 7.

THIS AGREEMENT, made and entered into as of the 16th day of August, 1920, at New York City, by and between FAMOUS PLAYERS-LASKY CORPORATION, a corporation organized under and by virtue of the laws of the State of New York, and authorized to transact business in the State of California, party of the first part, hereinafter called the "Distributor," and CECIL B. DE MILLE PRODUCTIONS, a co-partnership, composed of Cecil B. de Mille, Constance A. de Mille, Ella King Adams, and Neil S. McCarthy, party of the second part, and hereinafter called the "Producer."

WITNESSETH:

THAT WHEREAS, Cecil B. de Mille, one of the partners of the Producer, has heretofore been employed by the Distributor as a director of motion picture productions, and

WHEREAS, the Distributor is desirous of securing for itself motion picture productions which shall be directed by the said Cecil B. de Mille, for the term hereinafter set forth, and

WHEREAS, a co-partnership has been formed for the purpose of producing motion pictures to be directed solely by the said Cecil B. de Mille, which said co-partnership is the Cecil B. de Mille Productions, herein called the Producer, and

WHEREAS, the said Cecil B. de Mille has agreed to direct for said Producer not less than two, (2)

nor more than four (4) motion pictures each year for the period of five (5) years from August 16, 1920, to August 16, 1925.

NOW THEREFORE, IN CONSIDERATION of the premises and of the sum of One Dollar ($1.00) by each of the parties hereto to the other in hand paid, the receipt whereof is hereby acknowledged, and of the mutual covenants and agreements herein set forth, the parties hereto do hereby agree as follows:

FIRST: The Producer agrees to manufacture and produce not less than two (2) nor more than four (4) motion pictures each year for the term of this agreement, each of which shall be directed by Cecil B. de Mille, personally, and to deliver all of [799] the productions so directed by the said Cecil B. de Mille for the Producer during said period, to the Distributor as and when the same are completed. Each and all such pictures shall, during the course of their production, and at and after their completion, be and remain the property of the Distributor for the exclusive use of the Distributor in all parts of the world.

SECOND: The Distributor agrees to accept all the productions so directed by the said Cecil B. de Mille and delivered to it by the Producer, and to cause the number of positive prints of each of said productions which the Distributor deems adequate to be made from time to time, and to distribute the same for exhibition throughout the entire world.

THIRD: The Distributor shall furnish to the Producer, and the Producer shall be entitled to use

as and when it shall desire the use of the same and at the actual cost to the Distributor thereof, all of the facilities and property of the Distributor to the full extent that the said Cecil B. de Mille has heretofore been accustomed or privileged to use the same while in the employ of the Distributor, subject to the approval of Mr. Lasky or his successor in office. The Producer shall at all times, so long as it keeps within the production cost hereinafter specified, have sole and complete charge, without any interference from the Distributor, of the production of the pictures to be made and delivered to the Distributor under the terms hereof. The Distributor shall also furnish to the Producer, without any additional charge therefor, the use of the quarters now occupied by the said Cecil B. de Mille and the facilities in connection therewith, and two offices all in the studios of the Distributor at 1520 North Vine Street, Hollywood, California, for the use of the executive forces of the Producer.

FOURTH: The Distributor agrees to pay all liabilities and obligations by the Producer incurred in the manufacture of each and all of the productions to be delivered to the Distributor under the terms hereof, as and when such liabilities, expenditures and ob- [800] ligations are due and payable, including all compensation and liability insurance, and wherever possible the Distributor shall cause the manufacture of pictures hereunder to be covered by the insurance carried by the Distributor. The cost of the production of each of said motion pic-

tures, however, shall not exceed the sum of Two Hundred and Ninety Thousand Dollars ($290,000), inclusive of the weekly advances to the Producer, without the consent of the Distributor first having been obtained to the expenditure of such excess.

FIFTH: All obligations and all expenses incurred and all expenditures made by the Producer in accordance herewith shall be incurred or made through the Accounting or other proper departments of the Distributor except where in the opinion of the Distributor, the latter has no department capable of caring for and handling the same. All payments of such expense, obligations, and expenditures shall be made in the name of Cecil B. de Mille Productions, where in the judgment of the Comptroller of the Distributor such method is feasible.

SIXTH: The Distributor agrees to pay to the Producer quarterly, thirty per cent (30%) of the net profits realized by the Distributor throughout the entire world from rentals from Exhibitors or sales of State Rights or any other use or disposition of the same, for each of said productions, and the Distributor shall advance and pay to the Producer on account of said thirty per cent (30%) of the net profits, each week during the term of this agreement, the following sums, which the Producer shall not under any conditions be obliged to repay to the Distributor, except that the same shall be charged against the thirty per cent (30%) of said net profits to be paid to the Producer. The first of said weekly payments shall be made August 21, 1920. Said payments shall be made as follows:

Thirty-five Hundred Dollars ($3500) per week for the first four (4) weeks of the term hereof;

Forty-five Hundred Dollars ($4500) per week for the next four (4) weeks of the term hereof; [801]

Fifty-five Hundred Dollars ($5500) per week for the next four weeks (4) of the term hereof;

Sixty-five Hundred Dollars ($6500) per week for the remainder of the term of this agreement.

PROVIDED, however, that in the event that studio work of the Distributor at Los Angeles, California, is suspended by reason of strikes, governmental regulations, or other causes beyond its control, the Distributor shall be required to advance to the Producer during the period of such suspension only, the sum of Two Thousand Dollars ($2,000) weekly. The period or periods during which such work is so suspended shall be added to the term of this agreement, and the term of this agreement shall be extended for such added period; PROVIDED FURTHER, that work shall not be so suspended by reason of such causes all together in excess of three (3) months in any one year.

SEVENTH: Each of the productions delivered to the Distributor under the terms hereof shall be marketed separately and not in connection with any other production or picture, and none of the productions to be delivered hereunder shall be used in any way to influence or to carry the sale of any other production or picture. None of said produc-

tions shall be released in the United States other than through the regular exchanges of the Distributor nor shall they or any of them be distributed elsewhere other than through the regular channels at present employed, or which may be hereafter employed for our best productions, nor shall they be sold outright within the United States, or by the method referred to as State Rights within the United States, without the consent of the Producer first having been obtained.

EIGHTH: The firm of Price, Waterhouse and Company, Certified Public Accountants, shall audit quarterly, the books and accounts of the Distributor with reference to the productions to be delivered to the Distributor under the terms hereof, both as to the cost hereof, and as to the receipts obtained from the [802] marketing of each of said productions, and the detailed report of said audit shall be furnished to the Producer, with a certificate of the amount, if any, due at such time to the Producer, and any monies or sums shown by said report to be due to the Producer shall at such time be paid to the latter by the Distributor. The audit of the said Price, Waterhouse and Company shall be final and binding as to the contents of said books and accounts on each of the parties hereto. Reports of the bookings of each of said productions shall be furnished each week to the Producer in Los Angeles, California, by the Distributor.

NINTH: Each and every of the pictures delivered to the Distributor under the terms hereof

shall be advertised and publicized by it to the same extent and in the same general manner as is indicated by the advertising and publicity given to the photoplay entitled, "Male and Female," directed by Cecil B. deMille and marketed by the distributor, and in all publicity and advertising the name of the said Cecil B. de Mille shall receive such attention and prominence as was given to it in the advertising and publicity of "Male and Female," and each and every of the said pictures shall be announced as a "Cecil B. de Mille Production."

TENTH: In the event that at the time when this contract would otherwise expire by lapse of time, a picture is then in course of production by the Producer and unfinished, the Producer shall nevertheless complete said picture and deliver the same to the Distributor, and the said picture shall in all things be governed and controlled by the terms of this agreement as though completed within the fixed term hereof.

ELEVENTH: The net profits from each of said productions shall be determined as follows:

Each quarter from the gross income received by the Distributor from film rentals of each such production in the United States or Canada, or from film rentals, or sales of State Rights in other countries, or any other use or disposition of the same, there shall be deducted, the cost of sales and distribution, the cost of negative, prints, publicity and advertising, overhead and federal [803] and other taxes; the residue shall constitute the net profit.

TWELFTH: It is the expectation of this agreement that the Producer shall receive an average minimum within twenty-four (24) months of Two Hundred Thousand Dollars ($200,000.00) as its thirty per cent (30%) of the net profits on each picture. In the event that at any time the Producer has not received in percentages or advances Two Hundred Thousand Dollars ($200,000) multiplied by the number of motion pictures delivered hereunder which have been at that time released twenty-four months, then at that time (subject to the limitations hereinafter in this paragraph contained) the Distributor shall credit or advance as may be proper, to the Producer, a sum sufficient to equal an average of $200,000., multiplied by the number of pictures that have been released two years at that date. As each additional picture has been released twenty-four months, a similar adjustment, if necessary, shall be made.

It is agreed, however, that at no time shall the Distributor be obliged to credit or pay to the Producer any sum which would make the total advances, credits and payments to the Producer exceed one Hundred per cent (100%) of the net profits on all productions at the time of such adjustment; nor shall the Distributor be obliged to credit or pay any sum which would make the total advances credits and payments exceed $200,000 per production, multiplied by the number of productions which have been released two years at that date.

THIRTEENTH: The party of the second part covenants and agrees that it will produce no motion pictures except those deliverable hereunder, nor will it engage in any other business than the making of pictures to be delivered pursuant to this contract. It further guarantees and agrees that it will not permit the name of Cecil B. de Mille to be announced as the maker, director or supervisor, or as interested in the production of any motion picture except those deliverable hereunder, and it represents that it has a contract with said Cecil B. de Mille for his exclusive services during the period of this contract. [804]

FOURTEENTH: No motion pictures shall be announced as made by Cecil B. de Mille or by the party of the second part within three (3) months after the termination of this contract, nor shall any motion picture made, directed or supervised by or in which the party of the second part or Cecil B. de Mille individually is interested be released for a period of six (6) months after the termination of this contract.

FIFTEENTH: The party of the second part hereby consents and agrees that if not previously paid, the party of the first part may deduct the sum of One Thousand Dollars ($1,000) each week beginning the 21st day of August, 1924, from the advances herein agreed to be made weekly, and shall in addition thereto deduct the amount of interest each week on any unpaid portion of the sum of Fifty Thousand Dollars ($50,000), owing by Cecil

B. de Mille to said Distributor, together with interest thereon at the rate provided for in the note now existing and executed in favor of the party of the first part by said Cecil B. de Mille, to evidence said loan of $50,000.

SIXTEENTH: The term of this agreement shall commence on the 16th day of August, 1920, and shall extend for a period of five (5) years, to wit: to and including the 15th day of August, 1925.

IN WITNESS WHEREOF, the parties have hereto affixed their hands and seals the day and year first above written.

FAMOUS PLAYERS-LASKY CORPORATION,

[Seal]

By (Sgd) Jesse L. Lasky,
1st Vice Pres.

CECIL B. DE MILLE PRODUCTIONS,

By (Sgd) Constance A. DeMille,
Ella King Adams,
Cecil B. DeMille,
Neil S. McCarthy. [805]

New York, N. Y.
February 19, 1921.

At the request of deMille Productions, the following procedure is outlined for the handling of weekly expenditures, in the making by deMille Productions of motion pictures for Famous Players-Lasky Corporation pursuant to existing contract.

The western studio will continue as heretofore to pay for the various expenditure, both labor and

material, and will notify the deMille Productions of such amount weekly. For this amount, the deMille Productions will reimburse the studio by their check. Simultaneously with the giving of the check, the deMille Productions will deposit a draft on the Famous Players-Lasky Corporation of New York with the Commercial National Bank of Los Angeles, wiring the comptroller of the amount.

The Famous Players-Lasky Corporation will deposit a certified check with the Hanover National Bank of New York for the credit of the Commercial National Bank of Los Angeles account of deMille Productions, with instructions to wire the Commercial National Bank by collect message. The Commercial National Bank will then mail the paid draft to the Famous Players-Lasky Corporation of New York. It is understood that changes may be made in the banks of the direction of the Producer.

It is understood and agreed that nothing in the above procedure or in any accounting entries that may arise out of it, will in any way change or modify the existing agreement, that the pictures made by the deMille Productions are to remain, at all times, whether in process or finished, the property of the Famous Players-Lasky Corporation.

It is also distinctly understood and agreed that the procedure outlined above covers only the direct charges made at the Studio, including studio overhead, and does not include the Home Office overhead and the other expenses outlined in the contract,

such as cost of sales and distribution, prints, publicity, advertising, Federal and other taxes.

Famous Players-Lasky Corporation,
(Signed) Emil E. Shauer,
Asst. Treas.
Cecil B. deMille Productions,
(Signed) Neil S. McCarthy,
Neil S. McCarthy.

Nov. 17, 1920.

Mr. Cecil B. DeMille:

The following gentlemen were present at the conference held in your office today between the hours of 4:30 and 7:30 P. M.:

Mr. Jesse L. Lasky,
Mr. Frank A. Garbutt,
Mr. Cecil B. de Mille,
Mr. John H. Fisher.

The matter under discussion involved the interpretation of certain clauses of the contract, dated August 12, 1920, between Cecil B. deMille Productions and the Famous Players-Lasky Corporation, and the formulating of instructions to the bookkeeping department.

The decisions reached were as follows:

(1) All materials, gowns, props, etc., now in what is known as the De Mille Wardrobe Department, are to be carried on the books of the Lasky Company in a so-called Stock Account, and no rental for these shall be charged to the Cecil B. De Mille Productions.

(2) All gowns, props, etc., which are now made up ready for use may be used by the De Mille Productions without charge. All new materials which are later made up into gowns, props, etc., are to be charged to the De Mille Productions at actual cost. When gowns, props, etc., are once used and charged to the De Mille Productions, they may be used in future productions without charge unless re-made; in which event, the cost of re-making, plus the amount paid for any new materials used, shall constitute the charge.

(3) Any purchases made for this Department for the De Mille Productions, during the life of the contract, are to be [806] charged to this Stock Account, and are to be charged to a De Mille Production only when issued to and received by the Cecil B. De Mille Productions, and shall be returned to the De Mille Wardrobe Department, unless destroyed, and no charge shall be made to the Cecil B. De Mille Productions for the use of the same thereafter. They shall be sold or rented only by Cecil B. De Mille Productions, who shall have the complete authority to designate the times, persons and occasions to whom or on which the same shall be sold or rented, and shall also have the authority to fix the prices for such sales or rentals, provided that it shall give one week's notice of such proposed sale or rental to the Famous Players-Lasky Corporation, and if it should be dissatisfied with the price of either the sale or rental thereof, it may rent the same for the same period of time, at the same

figure, and in the event of it being dissatisfied at the price at which the Cecil B. De Mille Productions elects to dispose of the same, it shall have the right to purchase such articles at the same price. The monies obtained from the sale or rental of any such articles shall be credited to the picture then in course of production or to the next succeeding picture.

(4) At the expiration of the contract, the Wardrobe is to be left as nearly as will be practicable in the same condition as that now existing as to quantity and quality of new materials, gowns, props, etc. however, if it is destroyed by fire, it shall be replaced out of the insurance money as needed.

(5) When artists are required for the De Mille Productions, Mr. De Mille shal indicate what artists he needs, and if they are not in stock they are to be selected by Mr. De Mille and engaged by the Famous Players-Lasky Company. When not in use in the De Mille Productions, the artists are to go into the [807] Lasky stock and Lasky can use them when they are not required for the De Mille Productions, excepting individual artists whom Mr. De Mille wishes to hold for his pictures exclusively. When not in use in Mr. De Mille's pictures, they shall be charged to the Lasky overhead, nevertheless.

The above conditions are as agreed at our joint conference.

(signed) Cecil B. deMille
(signed) Jesse L. Lasky [808]

U. S. INTERNAL REVENUE
(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES OF MORE THAN $5,000

OR NET INCOMES, REGARDLESS OF AMOUNT, IF DERIVED FROM A PROFESSION OR BUSINESS, INCLUDING FARMING

For Calendar Year 1924

If Your Income is Computed on a Fiscal Year Basis, or Income is Received from a Partnership or Fiduciary Operated on a Fiscal Year Basis, Form 1040PT Should be Secured from the Collector and Filed in Lieu of This Form

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1925
(PRINT NAMES AND ADDRESS PLAINLY BELOW)

Cecil B. de Mille (Name)

DeMille Studio (Street and number, or rural route)

Culver City. (Post office) Los Angeles (County) California. (State)

Contract on above district

Do Not Write in These Spaces

File Code 92

Serial Number 304683

First Payment

$ 1 1/2

Examined

By (Cashier's Stamp)

Cash Check M. O. Cert. of Ind.

OCCUPATION, PROFESSION, OR KIND OF BUSINESS Motion Picture Producer

1. Are you a citizen or resident of the United States? Yes
2. If you filed a return for 1923, to what Collector's office was it sent? Los Angeles
3. Is this a joint return of husband and wife? No
4. Were you married and living with husband or wife on the last day of your taxable year? Yes
5. If not, were you on the last day of your taxable year supporting one or more persons living in your household who are closely related to you by blood, marriage, or adoption?
6. If your status in respect to questions 4 and 5 changed during year, state date of such change No change
7. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable year?

INCOME

Line No.		Amount received	Expenses paid (Explain in Schedule F)		
1.	Salaries, Wages, Commissions, etc. (State name and address of person from whom received) Cecil B. de Mille Productions, Inc.	$ 78,000.00	$ 4,733.47	$ 73,266	53
2.	Income from Business or Profession. (From Schedule A)				
3.	Interest on Bank Deposits, Corporation Bonds, etc. (except interest upon which a tax was paid at source)			3,561	58
	(a) Interest on Tax-free Covenant Bonds Upon Which a Tax Was Paid at Source				
4.	Income from Partnerships, Fiduciaries, etc. (State name and address of partnership, etc.)				
	Depreciation restored on furniture taken as a deduction in 1923			48	18
	Royalties - "Royal Mounted" - "Genius"			109	29
6.	Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C) "Play" Picture Rights			[illegible]	47
7.	Dividends on Stock of Domestic Corporations See schedule attached.			2,541	60
8.	Interest on Liberty Bonds (Partnership) Liquidating Dividend			4,050	00
9.	Other Income (including dividends received on stock of foreign corporations). (State nature of income)				
	(a) Rent of photographic equipment "Props"			1,313	62
	(b) Eggs sold from "Gentlemen's Farm"			155	82
	(c) Sundry Income			3	17
10.	TOTAL INCOME IN ITEMS 1 TO 9			$ 48,452	61

DEDUCTIONS

11.	Interest Paid	$ 4,275	61
12.	Taxes Paid. (Explain in Schedule F)	1,763	09
13.	Losses by Fire, Storm, etc. (Explain in Table on page 2)		
14.	Bad Debts. (Explain in Schedule F) See schedule attached	704	63
15.	Contributions. (Explain in Schedule F) See schedule attached	357	88
16.	Other Deductions Authorized by Law. (Explain below or on separate sheet)		
	(a) "Black Team" See schedule attached	1,394	35
	(b) "Speed Boat" See schedule attached	7,199	22
	(c) Depreciation See schedule attached	7,463	61
17.	TOTAL DEDUCTIONS IN ITEMS 11 TO 16	$ 23,158	39
18.	NET INCOME (Item 10 minus Item 17)	$ 25,294	22

COMPUTATION OF TAX

19. Earned Income (see Instruction 19)	$ 10,000	00	30. Net Income (Item 18 above)	$ 25,294	22
20. Less Personal Exemption and Credit for Dependents	3,100	00	31. Less Dividends (Item 7 above)	$ 2,541	60
			32. Interest on Liberty Bonds, etc. (Item 8)		
21. Balance (Item 19 minus 20)	$ 6,900	00	33. Personal Exemption	1,500	00
22. Amount taxable at 2% (not over the first $4,000 of Item 21)	4,000	00	34. Credit for Dependents	1,600	00
23. Amount taxable at 4% (not over the second $4,000 of Item 21)	2,900	00	35. Total of Items 31, 32, 33, and 34	5,641	60
24. Amount taxable at 6% (balance over $8,000 of Item 21)	-		36. Balance (Item 30 minus 35)	$ 19,652	62
25. Normal Tax (2% of Item 22)	$ 80	00	37. Amount taxable at 2% (not over the first $4,000 of Item 36)	4,000	00
26. Normal Tax (4% of Item 23)	116	00	38. Balance (Item 36 minus 37)	$ 15,652	62
27. Normal Tax (6% of Item 24)	-		39. Amount taxable at 4% (not over the second $4,000 of Item 36)	4,000	00
28. Normal Tax on Earned Net Income (total of Items 25, 26, and 27)	$ 196	00	40. Amount taxable at 6% (balance over $8,000 of Item 36)	11,652	62
29. Credit of 25% of Item 28 (not to exceed 25% of Items 41, 42, and 43)	$ 49	00			

41. Normal Tax (2% of Item 37)	$ 80	00	
42. Normal Tax (4% of Item 39)	160	00	
43. Normal Tax (6% of Item 40)	699	16	
44. Surtax on Item 18 (see Instruction 30)	530	60	
45. Adjustment for Capital Gain or Loss (12½% of Column 9, Schedule D)			
46. Total of Items 41 to 45	$ 1,469	76	
47. Less Credit of 25% of Tax on Earned Net Income (Item 29)	49	00	
48. Total Tax (Item 46 minus 47)	$ 1,420	76	
49. Less Income Tax paid at source			
50. Income and Profits Taxes paid to a foreign country or U. S. possession			
51. Balance of Tax (Item 48 minus Items 49 and 50)	$ 1,420	76	

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

POSTING APR 18 DATE

4/4 to 24 Pmt sent Apr 3/7/25

SCHEDULE A—INCOME FROM BUSINESS OR PROFESSION (See Instruction 2)

[Not filled out.]

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 5)

1. Kind of Property	2. Amount Received	3. Cost	4. Value as of March 1, 1913	5. Depreciation (Explain in table at foot of page)	6. Repairs	7. Other Expenses (Itemize below)	8. Net Income (Enter as Item 5)
2338 Obsrv. Frame Dwelling	$ 719.65	$23,245.03	$ —	$862.94	$199.12	$	$(342.41)
3026 Argyle " "	2,400.00	10,581.58	—	279.08	361.95	—	1,758.97
Franklin " "	340.00	7,119.41	—	255.97	42.80	—	41.23
Highland " "	1,939.67	9,499.99	—	393.75	—	917.42	628.50

Explanation of deductions claimed in Column 7—Interest $508.42, Taxes $202.43, Insurance $190.00, Sundry Exp. $16.57—Total, $2,086.29.

SCHEDULE C—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 6)

See attached schedule.

SCHEDULE D—CAPITAL NET GAIN OR LOSS FROM SALE OF ASSETS HELD MORE THAN TWO YEARS (See Instruction 6a)

[Not filled out.]

SCHEDULE E—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 8)

1. Obligations or Securities	2. Interest Received or Accrued	3. Amount Owned	4. Principal Amount Exempt From Taxation	5. Amount Owned in Excess of Exemptions	6. Interest on Amount in Excess of Exemptions (Enter as Item 8)
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia	$	$	All	xxxxxx	xxxxxx
(b) Securities issued under Federal Farm Loan Act, or under such Act as amended			All	xxxxxx	xxxxxx
(c) Liberty 3½% Bonds and other obligations of United States issued before Sept. 1, 1917, and obligations of possessions of the United States			All	xxxxxx	xxxxxx
(d) Liberty 4% and 4¼% Bonds, Treasury 4¼% Bonds, Treasury Certificates, and Treasury (War) Savings Certificates	81.77	3,450.00	$5,000	$	$
(e) Liberty 4% and 4¼% Bonds			$50,000		
(f) Treasury Notes			None		

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A, AND IN ITEM 13

None.

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

See schedule attached.

SCHEDULE F—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 12, 14, AND 15

Item 12, Taxes, State, County and City taxes on first 3 items Schedule "B". Personal property tax on furniture and fixtures and state auto licenses. Income Tax not included.

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return made in good faith for the taxable year as stated, pursuant to the Revenue Act of 1924 and the Regulations issued under authority thereof.

Sworn to and subscribed before me this 15th day of April, 1925. CECIL B. DE MILLE.

(Seal) J. F. DAWSON, Notary Public.

My commission expires May 8, 1927. [810]

[Facsimile Postal Telegraph Co. Telegram Blank]

COPY

Washington DC March 13, 25

Mr. John H. Fisher
DeMille Studios
Culver City, Calif.

Extension April fifteen granted complete return of Cecil B. De Mille Constance A. De Mille and Cecil B. De Mille Productions, Inc. calendar year 1924 provided tentative terms filed showing only name and address and estimated tax and payment made one-fourth tax by March seventeen any deficiency first installment will bear interest six percent per annum from original due date attach copy this telegram tentative and completed returns by direction Commissioner.

F. G. BRIGHT
Deputy Commissioner [811]

SCHEDULE "F"

Business Expense.

Traveling Expense	$ 134.70	
Chauffeur Business Car	2,427.20	
Business entertainment, dues & Subsc.	534.55	
Repairs to Projecting Equip. etc.	87.75	
Legal Fees	390.26	
Cleaning	37.75	
Two business cars, repairs, tires, etc.	1,211.32	
Telephone and Telegraph	48.75	
Auditing and accounting	177.50	
Stationery, postage, etc.	6.50	
Chef and kitchen supplies	503.27	
Studio expense	136.97	
Rent of studio	1,215.00	
Research services	105.00	
Publicity	165.00	
Assistant's salary	1,057.00	
Theatrical expense	22.00	
Insurance, cars & equip.	280.54	
Business Managers' salary & Exp.	3,374.45	
Commissions	11.40	
		$11,926.91
Less—Attorney Fees charged in 1923 recovered in 1924		7,193.44
Net business expense		$ 4,733.47

Note: This expense attaches to the maintenance of the offices of tax payee with the necessary business staff, official cars, messengers, etc.

[813]

SCHEDULE

Interest on Municipal Securities

City of Tucson	$ 50.00
Little Rock Irrigation Dis.	120.00
Palmdale " "	120.00
Salt Lake Terminal	90.00
Town of Chandler	3.00
Total non-taxable	$383.00

[814]

SCHEDULE "C"

Sale of "Play Rights"

t.	Name of Play	Date Acquired	Amt. Recd.	Cost	By Bequest	Profit or Loss
/6	"Wife"	1892—	$1,226.54	.....	$10,000.00	$8,773.46
/6	"Wife"	1920	1,226.54	$2,541.62	.....	1,315.08
/6	"Charity Ball"	1892—	1,226.54	.....	10,000.00	8,773.46
/6	"Charity Ball"	1920	1,226.54	2,541.61	.....	1,315.07
/6	"Lord Chumley"	1892—	1,144.20	.....	10,000.00	8,855.80
/6	"Lord Chumley"	1920	1,144.21	2,541.61	.....	1,397.40
/6	"Men & Women"	1892—	2,144.21	.....	10,000.00	7,855.79
/6	"Men & Women"	1920	2,144.20	2,541.61	.....	397.41
			$11,482.98	10,166.45	40,000.00	$38,683.47
						Loss

A 1/6 interest in each of the above plays was acquired through heritance in 1892 through the death of the father, whose residence as in New Jersey. These plays were being "staged" at that time and eir popularity was told by the Royalties received which justified the heritance appraisal of $60,000.00 for each, or $10,000.00 for the 1/6 terest.

The other 1/6 was purchased from a brother for a cash down pay-ent of $1,922.30 and a contract in the fulfillment of which he paid ,244.15, or a total cost of the brother's interest in the four plays of 0,166.45, or $2,541.61 each.

[815]

SCHEDULE

(Item 7)

Dividends

Bank of America	$ 7.50
Americommercial	10.50
Bank of Italy	85.00
Bancitaly	19.60
Commercial Nat. Bk.	132.00
C. B. de Mille Prod. Co.	2,200.00
Central Investment Co.	7.00
Famous Players-Lasky	80.00
	$2,541.60

Liquidating Dividends.

Los Angeles Speedway Co.	$4,050.00

[816]

SCHEDULE

(Item 14)

Bad Debts.

Charlotte Carter	$ 312.50
Georgia K. de Vore	75.00
S. Fairbanks	5.00
Ted Lowe	30.00
Bessie McGaffey	350.00
Adelaide Murray	100.00
Cora Spoor	1,741.52
	2,614.02
Less recovery on accounts written off in 1923. Mercury Corporation	1,909.39
Net	$ 704.63

[817]

SCHEDULE

Deductible Donations.

American Com. for Relief of German Children	$ 18.00
Boy Scouts	25.00
Mooseheart Training School	25.00
Disabled War Veterans	22.00
Author's League of America	2.00
Masonic Hospital	5.00
Southern California Sector Society	5.00
Escadrille Lafayette Memorial Assn.	10.00
Studio Club—Charitable	25.88
National Conference of Outdoor Recreation	100.00
Shriners—Charitable	5.00
Masonic Hall & Asylum	5.00
Los Angeles Record's Xmas Fund for poor	10.00
World Flyers	100.00
Total	$357.88

[818]

SCHEDULE

"Black Team" Expense

Five months board, veterinary, blacksmithing, etc.	$1,334.35
Entrance fee at horse shows	60.00
	$1,394.35

No claim for remaining seven months. This team was used in the production of the film "Ten Commandments" and then exhibited at various shows for publicity purposes. [819]

SCHEDULE

"Speed Boat" Expense

Repairs, labor, material, etc.	$5,845.74
Wages	242.25
Use of Hydroplane	160.00
Depreciation	1,001.23
	$7,249.22
Less 1923 entrance fee refunded	50.00
	$7,199.22

This boat, the "Defiance" is not a pleasure boat. It was built for use in motion pictures and used in the production of the films "Ten Commandments" and the picture "Triumph", for a fixed rental reported as income and also was used for publicity purposes. [820]

SCHEDULE

Depreciation

scription	Date Acquired	Age	Life	Cost Imp.	3-1-13	1923	1924
fice & Studio							
& F.	Various	new	10	$42657.92	.....	.....	$4265.79
ito—							
Locomobile	1920	new	4	12238.28	.....	$3059.57	3059.57
Ford	1924	new	4	553.02	.....	.....	138.25
	Total as per Item 16-(c)						$7463.61
38 Observ.							
ame Dwelling			20	17258.89	.....	.....	862.94
36 Argyle							
ame Dwelling	1919	3	20	5581.58	.....	.....	279.08
anklin—							
ame Dwelling	1919	3	20	5119.41	.....	.....	255.97
ghland							
ame Dwelling	1923		20	7874.99	.....	.....	393.75
	Total as per Schedule "B"						$1791.74

[821]

Form 1040
U. S. Internal Revenue
(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES OF MORE THAN $5,000

OR NET INCOMES, REGARDLESS OF AMOUNT, IF DERIVED FROM A PROFESSION OR BUSINESS, INCLUDING FARMING

For Calendar Year 1924

If Your Income is Computed on a Fiscal Year Basis, or Income is Received from a Partnership or Fiduciary Computed on a Fiscal Year Basis, Form 1040FY Should be Secured from the Collector and Filed in Lieu of This Form

File This Return with the Collector of Internal Revenue for Your District on or Before March 15, 1925
(PRINT NAME AND ADDRESS PLAINLY BELOW)

Cecil B. de Mille
(Name)

de Mille Studio 1661
(Street and number, or rural route)

Culver City, Cala.
(Post office) (County) (State)

Do Not Write in These Spaces

File Code 9C

Serial Number

First Payment

Last Payment 1875

Check or Money Order

By RECEIVED WITH REMITTANCE

(Cashier) MAR 10 1925

COLLECTOR OF INT. REV.
6th DISTRICT OF CAL.
M. R.

Cash Check M. O. Cert. of Ind.

OCCUPATION, PROFESSION, OR KIND OF BUSINESS

1. Are you a citizen or resident of the United States?
2. If you filed a return for 1923, to what Collector's office was it sent?
3. Is this a joint return of husband and wife?
4. Were you married and living with husband or wife on the last day of your taxable year?
5. If not, were you on the last day of your taxable year supporting one or more persons living in your household who are closely related to you by blood, marriage, or adoption?
6. If your status in respect to questions 4 and 5 changed during year, state date of such change
7. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable year?

Item and Instruction No.	INCOME	Amount received	Expenses paid (Explain in Schedule F)	
1	Salaries, Wages, Commissions, etc. (State name and address of person from whom received)	$	$	$
2	Income from Business or Profession. (From Schedule A)			
3	Interest on Bank Deposits, Corporation Bonds, etc. (except interest upon which a tax was paid at source)			
	(a) Interest on Tax-free Covenant Bonds Upon Which a Tax was Paid at Source			
4	Income from Partnerships, Fiduciaries, etc. (State name and address of partnership, etc.)			
5	Rents and Royalties (From Schedule B)			
6	Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C)			
7	Dividends on Stock of Domestic Corporations			
8	Taxable Interest on Liberty Bonds, etc. (From Schedule E)			
9	Other Income (including dividends received on stock of foreign corporations). (State nature of income)			
	(a)			
	(b)			
	(c)			
10	TOTAL INCOME IN ITEMS 1 TO 9			$
	DEDUCTIONS			
11	Interest Paid			$
12	Taxes Paid. (Explain in Schedule F)			
13	Losses by Fire, Storm, etc. (Explain in Table on page 2)			
14	Bad Debts. (Explain in Schedule F)			
15	Contributions. (Explain in Schedule F)			
16	Other Deductions Authorized by Law (Explain below or on separate sheet)			
	(a)			
	(b)			
	(c)			
17	TOTAL DEDUCTIONS IN ITEMS 11 TO 16			$
18	NET INCOME (Item 10 minus Item 17)			$

POSTING
APR 18 19
DATE

COMPUTATION OF TAX

19. Earned Income (see Instruction 19)	$	30. Net Income (Item 18 above)	$	41. Normal Tax (2% of Item 37)	$
20. Less Personal Exemption and Credit for Dependents		31. Less Dividends (Item 7 above)	$	42. Normal Tax (4% of Item 39)	
21. Balance (Item 19 minus 20)	$	32. Interest on Liberty Bonds, etc. (Item 8)		43. Normal Tax (6% of Item 40)	
22. Amount taxable at 2% (not over the first $4,000 of Item 21)		33. Personal Exemption		44. Surtax on Item 18 (see Instruction 20)	
23. Amount taxable at 4% (not over the second $4,000 of Item 21)		34. Credit for Dependents		45. Adjustment for Capital Gain or Loss (12½% of Column 9, Schedule D)	
24. Amount taxable at 6% (balance over $8,000 of Item 21)		35. Total of Items 31, 32, 33, and 34		46. Total of Items 41 to 45	$
25. Normal Tax (2% of Item 22)	$	36. Balance (Item 30 minus 35)	$	47. Less Credit of 25% of Tax on Earned Net Income (Item 29)	
26. Normal Tax (4% of Item 23)		37. Amount taxable at 2% (not over the first $4,000 of Item 36)		48. Total Tax (Item 46 minus 47)	$
27. Normal Tax (6% of Item 24)		38. Balance (Item 36 minus 37)	$	49. Less Income Tax paid at source	
28. Normal Tax on Earned Net Income (total of Items 25, 26, and 27)	$	39. Amount taxable at 4% (not over the second $4,000 of Item 36)		50. Income and Profits Taxes paid to a foreign country or U. S. possession	
29. Credit of 25% of Item 28 (not to exceed 25% of Items 41, 42, and 43)	$	40. Amount taxable at 6% (balance over $8,000 of Item 36)		51. Balance of Tax (Item 48 minus Items 49 and 50)	$ 1,800 00

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

1875

SCHEDULE A—INCOME FROM BUSINESS OR PROFESSION (See Instruction 2)

[Not filled out]

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 5)

[Not filled out]

SCHEDULE C—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC.

(See Instruction 6)

[Not filled out]

SCHEDULE D--CAPITAL NET GAIN OR LOSS FROM SALE OF ASSETS HELD MORE THAN TWO YEARS (See Instruction 6a)

[Not filled out]

SCHEDULE E—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 8)

[Not filled out]

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORMS, ETC., CLAIMED IN SCHEDULE A, AND IN ITEM 13

[Not filled out]

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

[Not filled out]

SCHEDULE F—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 12, 14, AND 15

[Not filled out]

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return made in good faith for the taxable year as stated, pursuant to the Revenue Act of 1924 and the Regulations issued under authority thereof.

CECIL B. deMILLE

Sworn to and subscribed before me this 17th day of March, 1925.

[Seal] GLADYS ROSSON,

Notary Public in and for the County of Los Angeles, State of California. My commission expires June 12, 1927. [823]

POSTAL

Washington DC March 13 1925

Mr. John H. Fisher
DeMille Studios
Culver City, Calif.

Extension April fifteen granted complete return of Cecil B. De Mille Constance A. De Mille and Cecil B. De Mille Productions, Inc. calendar year 1924 provided tentative terms filed showing only name and address and estimated tax and payment made one-fourth tax by March seventeen any deficiency first installment will bear interest six percent per annum from original due date attach copy this telegram tentative and completed returns by direction Commissioner.

F. G. BRIGHT
Deputy Commissioner

925A

COPY [824]

CECIL B. De MILLE PICTURES
CORPORATION
De Mille Studio
Culver City California

In Association with
Cinema Corporation
of America

Released by
Producers Distributing
Corporatoion

April 15, 1925.

Mr. Rex B. Goodcell,
Collector of Internal Revenue,
Los Angeles, Calif.

Dear Sir:

"Completed Returns" are filed today for Cecil B. de Mille and for Cecil B. de Mille Productions, Inc., both for the calendar year 1924, as authorized by Deputy Commissioner F. G. Bright, who, on March 13, granted an extension of time which expires as of this date.

In both instances, the quarterly payment accompanying the "Tentative Return" was in excess of one-quarter of the tax found due in the "Completed Return." This over remittance will be absorbed when remitting for the second quarter of the tax.

Yours very truly,
CECIL B. de MILLE.

Incls. [825]

Ext

U. S. Internal Revenue Form 1040

(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES OF MORE THAN $5,000

OR NET INCOMES, REGARDLESS OF AMOUNT, IF DERIVED FROM A PROFESSION OR BUSINESS, INCLUDING FARMING

For Calendar Year 1925

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1926

RECEIVED AUG 7 1925 INTERNAL REVENUE CASHIER

(PRINT NAME AND ADDRESS PLAINLY BELOW)

CECIL B DE MILLE (Initial) 2340

DE MILLE STUDIO
(Street and number, or rural route)

CULVER CITY (Post office) LOS ANGELES (County) CALIFORNIA (State)

Do Not Write in These Spaces

File Code 92

Serial Number 301215

(Cashier's Stamp)

RECEIVED WITH REMITTANCE COLLECTOR OF INTERNAL REVENUE 6th District of California MAR 15 1926 Dep. Coll. of Int. First Payment LOS ANGELES OFFICE $ Entered By

OCCUPATION, PROFESSION, OR KIND OF BUSINESS MOTION PICTURE PRODUCER

1. Are you a citizen or resident of the United States? YES
2. If you filed a return for 1924, to what Collector's office was it sent? LOS ANGELES
3. Is this a joint return of husband and wife? NO
4. State name of husband or wife if a separate return was made and the Collector's office to which it was sent CONSTANCE A DE MILLE
5. Were you married and living with husband or wife on the last day of your taxable year? YES
6. If not, were you on the last day of your taxable year supporting one or more persons living in your household who are closely related to you? ☆
7. If your status in respect to questions 5 and 6 changed during the year, state date of such change ☆
8. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable year? DEPENDENT CLAIMED BY WIFE

INCOME

	Amount received	Deductions paid	
1. Salaries, Wages, Commissions, etc. (State name and address of person from whom received)			
C B DE MILLE PRODUCTIONS INC CULVER CITY	$ 23000 00	$ 16549 94	92 450 06
C B DE MILLE PICTURES CORPORATION CULVER CITY	86000 00		
2. Net Profit from Business or Profession. (From Schedule A)			
3. Interest on Bank Deposits, Corporation Bonds, etc. (except interest upon which an income tax of 2% was paid at source)			2 440 21
(a) Interest on Tax-free Covenant Bonds Upon Which an Income Tax of 2% was Paid at Source			
4. Income from Partnerships, Fiduciaries, etc. (State name and address of partnership, etc.)			
5. Rents and Royalties. (From Schedule B) DWELLINGS 1567 55 PICTURE ROYALTIES 582 02			2 149 57
6. Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C) CAPITAL GAIN UNDER D AT 12½			
7. Dividends on Stock of Domestic Corporations			24 113 66
8. Taxable Interest on Liberty Bonds, etc. (From Schedule E)			
9. Other Income (including dividends received on stock of foreign corporations). (State nature of income)			
(a) RENT OF PROPS			527 85
(b) COMMISSIONS			968 75
(c) BAD ACCOUNTS PREVIOUSLY WRITTEN OFF-RECOVERED			831 17
10. Total Income in Items 1 to 9			123 481 27

DEDUCTIONS

11. Interest Paid	6 094 99	
12. Taxes Paid. (Explain in Schedule F)	2 250 57	
13. Losses by Fire, Storm, etc. (Explain in Table on page 2)		
14. Bad Debts. (Explain in Schedule F) E O CHANDLER	200 00	
15. Contributions. (Explain in Schedule F)	3 684 00	
16. Other Deductions Authorized by Law. (Explain below or on separate sheet)		
(a) DEPRECIATION OF OFFICE FUR AND FIX 52 040 20 AT 10 PER CENT	5 204 02	
(b) DEPRECIATION AND EXPENSE OF SPEED BOAT FOR PRODUCTION AND PUBLICITY	1 165 84	
(c)		
17. Total Deductions in Items 11 to 16		18 599 42
18. Net Income (Item 10 minus Item 17)		104 881 85

COMPUTATION OF TAX (See Instruction 23 as revised)

19. Earned Net Income (not over $20,000)	$ 20000 00	30. Net Income (Item 18 on return)	104881 85	41. Normal Tax (1½% of Item 37)	$ 60 00
20. Less Personal Exemption and Credit for Dependents	2550 00	31. Less Dividends (Item 7 on return)	24113 66	42. Normal Tax (3% of Item 39)	120 00
21. Balance (Item 19 minus 20)	$ 17450 00	32. Interest on Liberty Bonds, etc. (Item 8)		43. Normal Tax (5% of Item 40)	3510 91
22. Amount taxable at 1½% (not over the first $4,000 of Item 21)	4000 00	33. Personal Exemption	2550 00	44. Surtax on Item 18 (see Instruction 22 as revised)	12636 57
23. Amount taxable at 3% (not over the second $4,000 of Item 21)	4000 00	34. Credit for Dependents		44a. Tax on Net Income (total of Items 41, 42, 43, and 44)	16327 28
24. Amount taxable at 5% (balance over $8,000 of Item 21)	9450 00	35. Total of Items 31, 32, 33, and 34	26663 66	45. Adjustment for Capital Gain or Loss (12½% of Column 9, Schedule D)	62 89
25. Normal Tax (1½% of Item 22)	$ 60 00	36. Balance (Item 30 minus 35)	$ 78218 19	46. Total of difference between Items 44a and 45	16390 17
26. Normal Tax (3% of Item 23)	120 00	37. Amount taxable at 1½% (not over the first $4,000 of Item 36)	4000 00	47. Less Credit of 25% of Tax on Earned Net Income (Item 29)	218 12
27. Normal Tax (5% of Item 24)	472 50	38. Balance (Item 36 minus 37)	$ 74218 19	48. Total [illegible] (Item 47)	16172 05
28. Surtax on Item 19	220 00	39. Amount taxable at 3% (not over the second $4,000 of Item 36)	4000 00	49. Less [illegible]	469 3
29a. Tax on Earned Net Income (total of Items 25, 26, 27, and 28)	$ 872 50	40. Amount taxable at 5% (balance over $8,000 of Item 36)	$ 70218 19	50. Income and Profits Taxes [illegible] foreign countries or U. S. possessions	76 212 48
29. Credit of 25% of Item 29a (not over 25% of Items 28, 41, 42, and 43)	$ 218 12			51. Balance of Tax (Item 48 [illegible] Items 49 and 50)	

NOTE.—The above Computation of Tax must be filled in and securely attached at the foot of your original return (Form 1040) and filed with the Collector of Internal Revenue for your district. A copy should also be retained and attached to your duplicate return.

SCHEDULE A—INCOME FROM BUSINESS OR PROFESSION (See Instruction 2)

[Not filled out.]

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 5)

1. Kind of Property	2. Amount Received	3. Cost	4. Value as of March 1, 1913	5. Depreciation (Explain in table at foot of page)	6. Repairs	7. Other Expenses (Itemize below)	8. Net Profit (Enter as Item 5)
Dwelling—2036 Argyle	$2,400.00	$10,581.58	$	$ 279.08	$	$ 210.90	$1,910.02
Dwelling—2338 Observaty	666.65	23,245.03		912.25		30.00	(275.60)
Dwelling—Highland Ave.	326.88	9,500.00		393.75			(66.87)
					TOTAL		1,567.55

Explanation of deductions claimed in Column 7. Repairs and Maintenance. Taxes and Interest Not Included.

SCHEDULE C—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 6)

[Not filled out.]

SCHEDULE D—CAPITAL NET GAIN OR LOSS FROM SALE OF ASSETS HELD MORE THAN TWO YEARS (See Instruction 6a)

1. Kind of Property	2. Date	3. Date Sold	4. Amount Received	5. Depreciation Previously Allowed	6. Cost	7. Value as of March 1, 1913	8. Subsequent Improvements, and Capital Deductions	9. Net Gain or Loss (Enter 12% as Item 45)
	Mo. Day Year	Mo. Day Year						
Stock—F.-P.-Lasky	123120	2 1 25	$966.90	$	$788.75	$	$	$178.15
Bonds—Polish Gov.	4—22	3 25	650.00		325.00			325.00
						TOTAL		503.15

SCHEDULE E—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 8)

1. Obligations or Securities	2. Interest Received or Accrued	3. Amount Owned	4. Principal Amount Exempt from Taxation	5. Amount Owned in Excess of Exemptions	6. Interest on Amount in Excess of Exemptions (Enter as Item 8)
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia	$ 236.00	$4,258.20	All		
(b) Securities issued under Federal Farm Loan Act, or under such Act as amended			All		
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917, and obligations of possessions of the United States	84.00	2,400.00	All		
(d) Liberty 4% and 4¼% Bonds, Treasury 4% and 4¼% Bonds, Treasury Certificates of Indebtedness, and Treasury (War) Savings Certificates	44.59	1,050.00	$5,000	$	$
(e) Liberty 4% and 4¼% Bonds			$50,000		
(f) Treasury Notes			None		

SCHEDULE F— EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 12, 14, AND 15

Item 1—See Attached Schedule

Item 15—See Attached Schedule

Cecil B. deMille Prod'ns, Inc.

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Age When Acquired	4. Probable Life After Acquirement	5. Cost	6. Value as of March 1, 1913	Amount of Depreciation Charged Off 7. Previous years	8. This year
Frame House—2036 Argyle	1919	3	20	$ 5,581.58	$	$ 279.08	$ 279.08
Frame House—2338 Obsrvty			20	18,245.03		862.94	912.25
Frame House—Highland Ave	1923		20	7,874.99		393.75	393.75

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A AND IN ITEM 13

[Not filled out.]

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return made in good faith for the taxable year as stated, pursuant to the Revenue Act of 1924 and the Regulations issued under authority thereof.

CECIL B. de MILLE

Sworn to and subscribed before me this 15th day of May, 1926.

(Seal) J. F. DAWSON

Notary Public. My commission expires May 8, 1927.

[827]

COPY

March 9, 1926.

IT:CDEW

Cecil B. deMille,
DeMille Studio,
Culver City, California.

Sir:

Receipt is acknowledged of your letter of recent date requesting, for the reasons therein given, extension of time within which to file your return of income for the calendar year 1925.

An extension of time to May 15, 1926 is hereby granted within which the above mentioned return may be filed and payment made of the installment of tax shown to be due thereon.

In all cases where an extension of time is granted Section 270(c) (2) of the Revenue Act of 1924 provides that interest shall be collected at the rate of one-half of one per cent a month upon each installment from the original due date thereof to the expiration of the period of the extension even though payment is made prior to the time to which the extension is granted.

A copy of this letter must be attached to the return when it is filed as authority for the extension of time herein granted.

Respectfully,

D. H. BLAIR,

Commissioner.

By.....

Collector.

CDEW [828]

SCHEDULE

CONTRIBUTIONS

ITEM 15

Episcopal Church of Pompton Lake	100.00
Authors' League	4.00
Community Chest of Los Angeles	2,500.00
Laemle Decennial Charity Jubilee	1.00
Boys' and Girls' Aid Society	120.00
Hellen Keller Blind Fund	25.00
Walleck Memorial	2.00
Memorial of the Angelus	150.00
Confederate Memorial Fund	50.00
Roscoe Community Church	100.00
160th Infantry of C. N. G.	50.00
Mission Reconstruction at S. B.	250.00
Humane Trapping Society	10.00
Spanish War Veterans	110.00
Arizona Hall of Fame	10.00
Scholarship Industrial School	200.00
Children's Hospital	2.00
Total	3,684.00

[829]

SCHEDULE

SALARY EXPENSE

ITEM 1

Office Rent		1,215.00
Research		84.00
Manager's Salary		5,000.00
Projecting		53.00
Business Dues and Subscription		165.88
Business Entertainment		163.90
Telegrams		63.37
Publicity		61.77
Sundry Expense		47.94
Legal Fees		64.50
Kitchen Expense for Guests		510.46
Studio Expense		100.60
Expressage		7.00
Auditing		300.00
Messengers' Salaries		4,390.24
Traveling Expense		4,495.54
Light		1.35
Auto Expense		946.65
		17,671.20
Less		
Recovery of Legal Fees	1,066.80	
Recovery Insurance	54.46	
		1,121.26
		16,549.94

[830]

SCHEDULE

INTEREST

ITEM 3

Grauman Enterprises	41.72
Sundry Banks	589.94
Bonds Foreign	22.40
Sundry Notes	19.78
Note of Knoblock	549.63
De Mille Productions	1,216.74
	2,440.21

SCHEDULE

DIVIDENDS

ITEM 7

Bancitaly	343.75
Bank of Italy	71.25
Bank of America	30.00
Americommercial	42.00
Central Investment Corp.	7.50
Commercial Nat. Bk.	120.00
De Mille Productions	2,200.00
Denver Tramway	125.00
Katz Shoe Co.	416.66
Famous Players Lasky	20.00
L. A. Speedway Co.	13,950.00
N. Est. Subdivision	6,787.50
	24,113.66

SCHEDULE
INTEREST PAID
ITEM 11

Commercial Nat. Bk.	3,513.55
Security Tr. and Sav. Bk.	1,575.00
Merchants Nat. Bk.	756.67
Piano Contract	10.18
Hussey, Thos.	244.99
	6,100.39
Less Int. Recovered	
Lumm, Ella	5.40
	6,094.99

SCHEDULE

TAXES PAID

ITEM 12

City and County		
N. Est. Subdivision	54.52	
Franklin Ave.	201.03	
Argyle Ave.	1,106.67	
Observatory Ave.	379.64	
Sunset and Cahuenga	17.79	
Paradise Ranch	223.34	
Personal Property	8.14	
		1,991.13
State		
Gasoline	119.00	
Insurance	48.30	
		167.30
Federal		
Admission and Stamps	24.44	
Club	67.70	
		92.14
		2,250.57

[832]

Form 1040
U. S. INTERNAL REVENUE
(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES OF MORE THAN $5,000

OR NET INCOMES, REGARDLESS OF AMOUNT, IF DERIVED FROM A PROFESSION OR BUSINESS, INCLUDING FARMING

For Calendar Year 1926

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1927

Do Not Write in These Spaces

File Code 92

Serial Number

(Cashier's Stamp)

RECEIVED WITH REMITTANCE
COLLECTOR OF INTERNAL REVENUE
6th District of California
Cash or Money Order Rec'd. MAR 15 1927
First Payment
LOS ANGELES OFFICE
$ O. G. S.
Credited

As 4601.2

(PRINT NAME AND ADDRESS PLAINLY BELOW)

311012

C. B. DE MILLE
(Name)

DE MILLE STUDIO
(Street and number, or rural route)

CULVER CITY CALIF
(Post office) (County) (State)

OCCUPATION, PROFESSION, OR KIND OF BUSINESS MOTION PICTURE PRODUCER

1. Are you a citizen or resident of the United States? YES
2. If you filed a return for 1925, to what Collector's office was it sent? 6TH CALIF
3. Is this a joint return of husband and wife? NO
4. State name of husband or wife if a separate return was made and the Collector's office where it was sent MRS CONSTANCE A DE MILLE 6TH CALIF
5. Were you married and living with husband or wife on the last day of your taxable year? YES
6. If not, were you on the last day of your taxable year supporting one or more persons living in your household who are closely related to you? X
7. If your status in respect to questions 5 and 6 changed during the year, state date of such change X
8. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable year? 3

INCOME

Item and Instruction No.		Amount received	Expenses paid (Explain in Schedule F)	
1.	Salaries, Wages, Commissions, etc. (State name and address of person from whom received)			
	C B DE MILLE PICTURE CORP	$104000 00	$9311 84	$ 94688 16
	C B DE MILLE PRODUCTIONS	6166 66		6166 66
	DIRECTORS FEES			20 00
2.	Income from Business or Profession. (From Schedule A)			
3.	Interest on Bank Deposits, Notes, Corporation Bonds, etc. (except interest upon which a tax was paid at source)			1730 72
4.	(a) Interest on Tax-free Covenant Bonds Upon Which a Tax was Paid at Source			
	(b) Income from Partnerships, Fiduciaries, etc. (State name and address of partnership, etc.)			
	ROYALTIES			660 66
5.	Rents and Royalties. (From Schedule B)			695 66
6.	Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C)			541 73
7.	Dividends on Stock of Domestic Corporations			52090 22
8.	Taxable Interest on Liberty Bonds, etc. (From Schedule E)			
9.	Other Income (including dividends received on stock of foreign corporations). (State nature of income)			
	(a) RECOVERY OF LEGAL EXPENSES			7648 36
	(b) COMMISSIONS			250 00
	(c)			
10.	TOTAL INCOME IN ITEMS 1 TO 9			$ 164492 17

DEDUCTIONS

11.	Interest Paid	$ 8515 12
12.	Taxes Paid. (Explain in Schedule F)	2962 05
13.	Losses by Fire, Storm, etc. (Explain in Table on page 2)	
14.	Bad Debts. (Explain in Schedule F)	21957 90
15.	Contributions. (Explain in Schedule F)	4141 00
16.	Other Deductions Authorized by Law. (Explain below or on separate sheet)	
	(a) SPEEDBOAT	820 98
	(b) DIVISION OF INTEREST	500 00
	(c) DEPRECIATION	5613 15
17.	TOTAL DEDUCTIONS IN ITEMS 11 TO 16	$ 44510 20
18.	NET INCOME (Item 10 minus Item 17)	$ 119981 97

COMPUTATION OF TAX (See Instruction 21)

19.	Earned Net Income (not over $20,000)	$20000 00	31.	Net Income (Item 18 above)	$119981 97	42.	Normal Tax (1½% of Item 38) $ 60 00
20.	Less Personal Exemption and Credit for Dependents (see Instruction 20)	4700 00	32.	Less Dividends (Item 7 above) 52090 22		43.	Normal Tax (3% of Item 40) 120 00
21.	Balance (Item 19 minus 20)	$15300 00	33.	Interest on Liberty Bonds, etc. (Item 8)		44.	Normal Tax (5% of Item 41) 2759 59
22.	Amount taxable at 1½% (not over the first $4,000 of Item 21)	$ 4000 00	34.	Personal Exemption 3500 00		45.	Surtax on Item 18 (see Instruction 21) 15656 39
23.	Amount taxable at 3% (not over the second $4,000 of Item 21)	4000 00	35.	Credit for Dependents 1200 00		46.	Tax on Net Income (total of Items 42, 43, 44, and 45) $ 18595 98
24.	Amount taxable at 5% (balance over $8,000 of Item 21)	7300 00	36.	Total of Items 32, 33, 34, and 35	56790 22	47.	Less Credit of 25% of Tax on Earned Net Income (Item 30) 191 25
25.	Normal Tax (1½% of Item 22)	$ 60 00	37.	Balance (Item 31 minus 36)	$ 63191 75	48.	Balance (Item 46 minus 47) $ 18404 73
26.	Normal Tax (3% of Item 23)	120 00	38.	Amount taxable at 1½% (not over the first $4,000 of Item 37)	4000 00	49.	Adjustment for Capital Gain or Loss (12½% of Column 9, Schedule D)
27.	Normal Tax (5% of Item 24)	365 00	39.	Balance (Item 37 minus 38)	$ 59191 75	50.	Total Tax (total of or difference between Items 48 and 49) $ 18404 73
28.	Surtax on Item 19 (see Instruction 21)	220 00	40.	Amount taxable at 3% (not over the second $4,000 of Item 37)	4000 00	51.	Less Income Tax Paid at Source
29.	Tax on Earned Net Income (total of Items 25, 26, 27, and 28)	$ 765 00	41.	Amount taxable at 5% (balance over $8,000 of Item 37)	$ 55191 75	52.	Income and Profits Taxes paid to a foreign country or U. S. possession
30.	Credit of 25% of Item 29 (not over 25% of Items 28, 42, 43, and 44)	$ 191 25				53.	Balance of Tax (Item 50 minus Items 51 and 52) $ 18404 73

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable to order

4601.19

SCHEDULE A—INCOME FROM BUSINESS OR PROFESSION (See Instruction 2)

[Not filled out.]

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 5)

1. Kind of Property	2. Amount Received	3. Cost	4. Value as of March 1, 1913	5. Depreciation (Explain in table at foot of page)	6. Repairs	7. Other Expenses (Itemize below)	8. Net Profit (Enter as Item 5)
Argyle Ave.	$2,400.00	$.....	$.....	$ 279.08	$ 76.39	$ 17.50	$ .....
Hollywood Blvd.	60.00	.....	.....	.....	.....	49.14	.....
Observatory	225.00	.....	.....	.....	.....	.....	.....
Highland and Sunset	29.59	Franklin and Highland		1,437.02	.....	159.80	695.66

Explanation of deductions claimed in Column 7—Insurance 17.50, Street lighting 49.14, Clearing lake 159.80.

SCHEDULE C—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 6)

1. Kind of Property	2. Date Acquired	3. Amount Received	4. Depreciation Allowable Since Acquisition	5. Cost	6. Value as of March 1, 1913	7. Subsequent Improvements	8. Net Profit (Enter as Item 6)
Picture Right	.....	$ 2,071.88	$.....	$.....	$.....	$ Loss	$2,071.88
Real Est. Observatory	.....	23,269.22	.....	23,245.03	.....	.....	24.19
Stock Amicommercial	5 Sh.	707.50	.....	675.00	.....	.....	32.50

SCHEDULE D—CAPITAL NET GAIN OR LOSS FROM SALE OF ASSETS HELD MORE THAN TWO YEARS (See Instruction 6a)

[Not filled out.]

SCHEDULE E—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATONS OR SECURITIES

(See Instruction 8)

[Not filled out.]

SCHEDULE F—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 12, 14, AND 15

Bad Debts—Cinema Stock 20,000.00, Bell 250.00, De Vore 100.00, Harmer 215.80, Jones 200.00, Kain 15.00, Stein 50.00, Bell 90.00, Clanney 22.10, Morris 100.00, Wallace 150.00, Wing 200.00, Clark 225.00, Hopkins 250.00, Coffee 30.00, Four Hundred Club 60.00, Total 21,957.90.

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

1. Kind of Property (If buildings, state material of which constructed)	2. Date Acquired	3. Age When Acquired	4. Probable Life After Acquirement	5. Cost	6. Value as of March 1, 1913	Amount of Depreciation Charged Off	
						7. Previous years	8. This year
Office Fur. and Fix.	Various	New	10 Yr.	$51,945.30	$.....	$21,712.65	$5,194.53
Business Car	1926	New	4 Yr.	1,017.00	.....	.....	151.13
Speedboat and Tools	1925	New	.....	1,550.58	.....	250.00	267.49
							5,613.15

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A, AND IN ITEM 13

[Not filled out.]

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and, to the best of my knowledge and belief, is a true and complete return made in good faith for the taxable year as stated, pursuant to the Revenue Act of 1926 and the Regulations issued under authority thereof.

Sworn to and subscribed before me this 15 day of March, 1927. CECIL B. DE MILLE.

GLADYS ROSSON, Notary Public. (Notarial Seal)

My commission expires June 12, 1927.

[834]

ITEM 1—BUSINESS EXPENSES

Auditing	1037.00
Auto Hire and Exp.	380.54
Business Dues	251.35
Commissions	15.00
Insurance	316.08
Manager	2,300.00
Messenger	2,255.00
Projecting	68.70
Rent	1,200.00
Repairs	25.30
Tel. and Tel.	111.01
Traveling	500.68
Auto Ins.	238.94
Ins. Fur. Fix.	205.39
Safety Bar	15.00
Stationery	34.60
Water	24.75
Publicity	332.00
Total	9,311.84

[835]

Bonds, Warsaw	54.38		39.70		14.68
Auto, Ford	200.00	276.50	553.02	76.52	
Stock St. Oil of K. 100 Sh.	2,100.00		3,625.00	1,525.00	
				1,601.52	2,143.25
					1,601.52
			Gain		541.73

[836]

ITEM 12—TAXES

City and Co.	2,738.53
State Gasoline	107.12
State License	36.50
Federal Stamp	.64
Federal Admission	15.46
Federal Club	63.80
	2,962.05 [837]

Form 1040
U. S. Internal Revenue
(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES FROM SALARIES OR WAGES OF MORE THAN $5,000
OR INCOMES, REGARDLESS OF AMOUNT, FROM BUSINESS, PROFESSION, RENTS, OR SALE OF PROPERTY

For Calendar Year 1927

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1928

Do Not Write in These Spaces
File Code 92
Serial Number
(Cashier's Stamp)
MAR 28
Cash Check M. O. Certs. of Ind.
First Payment
$ Carded
As

(PRINT NAME AND ADDRESS PLAINLY BELOW) 304823

C B DE MILLE
(Name)

DE MILLE STUDIO
(Street and number, or rural route)

CULVER CITY (Post office) (County) CALIFORNIA (State)

Occupation, Profession, or Business PRODUCER OF MOTION PICTURES

1. Are you a citizen or resident of the United States? YES
2. If you filed a return for 1926, to what Collector's office was it sent? 6TH CALIF
3. Is this a joint return of husband and wife? NO
4. State name of husband or wife if a separate return was made and the Collector's office where it was sent CONSTANCE A DE MILLE
5. Were you married and living with husband or wife on the last day of your taxable year? YES
6. If not, were you on the last day of your taxable year supporting one or more persons living in your household who are closely related to you? X
7. If your status in respect to questions 5 and 6 changed during the year, state date and nature of change X
8. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable year? 3

Item and Instruction No.	INCOME	Amount received	Expenses paid (Explain in Schedule F)	ONE HALF EXEMPTION CLAIMED BY WIFE
1.	Salaries, Wages, Commissions, etc. (State name and address of person from whom received) C B DE MILLE PRODUCTIONS INC	$	$	26 000 00
	PRODUCTION CONTRACT C B DE MILLE PICTURES CORP	118 000 00	10 088 85	107 911 15
	DIRECTORS FEES			40 00
2.	Income from Business or Profession. (From Schedule A)			
3.	Interest on Bank Deposits, Notes, Corporation Bonds, etc. (except interest upon which a tax was paid at source)			817 07
	(a) Interest on Tax-free Covenant Bonds Upon Which a Tax was Paid at Source			
4.	Income from Partnerships. (State name and address) THIS RETURN INCLUDES 417 80 OF INCOME FOR MINOR CHILDREN			
	(a) Income from Fiduciaries. (State name and address)			
5.	Rents and Royalties. (From Schedule B)			1 050 30
6.	Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C)			307 85 LOSS
7.	Dividends on Stock of Domestic Corporations			45 354 45
8.	Taxable Interest on Liberty Bonds, etc. (From Schedule E)			
9.	Other Income (including dividends received on stock of foreign corporations). (State nature of income)			
	(a) LEGAL EXPENSES RECOVERED			5 000 00
	(b) SUNDRY INCOME			17 60
10.	TOTAL INCOME IN ITEMS 1 TO 9			$ 185 882 72
	DEDUCTIONS			
11.	Interest Paid			$ 1 363 12
12.	Taxes Paid. (Explain in Schedule F)			3 008 33
13.	Losses by Fire, Storm, etc. (Explain in Table on page 2)			
14.	Bad Debts. (Explain in Schedule F)			29 004 63
15.	Contributions. (Explain in Schedule F)			10 530 69
16.	Other Deductions Authorized by Law. (Explain in Schedule F)			
17.	TOTAL DEDUCTIONS IN ITEMS 11 TO 16			$ 43 906 77
18.	NET INCOME (Item 10 minus Item 17)			$ 141 975 95

FIELD AUDIT INTERNAL REVENUE

REVENUE AGENT'S RECEIVED OCT 26 1928

COMPUTATION OF TAX (See Instruction 21)

19.	Earned Net Income (not over $20,000)	$ 20000 00	31.	Net Income (Item 18 above)	$ 141975 95	42.	Normal Tax (1½% of Item 38)	$ 60 00
20.	Less Personal Exemption and Credit for Dependents (see Instruction 20)	2350 00	32.	Less Dividends (Item 7 above)	$ 5354 45	43.	Normal Tax (3% of Item 40)	120 00
21.	Balance (Item 19 minus 20)	$ 17650 00	33.	Interest on Liberty Bonds, etc. (Item 8)		44.	Normal Tax (5% of Item 41)	4313 58
22.	Amount taxable at 1½% (not over the first $4,000 of Item 21)	$ 4000 00	34.	Personal Exemption	1750 00	45.	Surtax on Item 18 (see Instruction 21)	20055 19
23.	Amount taxable at 3% (not over the second $4,000 of Item 21)	4000 00	35.	Credit for Dependents	600 00	46.	Tax on Net Income (total of Items 42, 43, 44, and 45)	$ 24548 77
24.	Amount taxable at 5% (balance over $8,000 of Item 21)	9650 00	36.	Total of Items 32, 33, 34, and 35	47704 45	47.	Less Credit of 25% of Tax on Earned Net Income (Item 30)	220 62
25.	Normal Tax (1½% of Item 22)	$ 60 00	37.	Balance (Item 31 minus 36)	$ 94271 50	48.	Balance (Item 46 minus 47)	$ 24328 15
26.	Normal Tax (3% of Item 23)	120 00	38.	Amount taxable at 1½% (not over the first $4,000 of Item 37)	4000 00	49.	Adjustment for Capital Gain or Loss (12½% of Column 9, Schedule D)	958 88
27.	Normal Tax (5% of Item 24)	482 50				50.	Total Tax (total of or difference between Items 48 and 49)	$ 25287 03
28.	Surtax on Item 19 (see Instruction 21)	220 00	39.	Balance (Item 37 minus 38)	$ 90 271 50	51.	Less Income Tax Paid at Source	
29.	Tax on Earned Net Income (total of Items 25, 26, 27, and 28)	$ 882 50	40.	Amount taxable at 3% (not over the second $4,000 of Item 37)	4000 00	52.	Income and Profits Taxes paid to a foreign country or U. S. possession	
30.	Credit of 25% of Item 29 (not over 25% of Items 28, 42, 43, and 44)	$ 220 62	41.	Amount taxable at 5% (balance over $8,000 of Item 37)	$ 86271 50	53.	Balance of Tax (Item 50 minus Items 51 and 52)	$ 25287 03

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and to the best of my knowledge and belief, is a true and complete return made in good faith for the taxable year as stated, pursuant to the Revenue Act of 1926, and the Regulations issued under authority thereof.

(If return is made by agent the reason therefor must be stated on this line)

Sworn to and subscribed before me this 13th day of March, 1928.

NOTARIAL SEAL

(Signature of officer administering oath) (Title)

Cecil B. DeMille
(Signature of individual or agent)

(Address of agent)

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

In and for the County of Los Angeles State of California

Commission Expires June 2, 1930

SCHEDULE A—INCOME FROM BUSINESS OR PROFESSION (See Instruction 2)

[Not filled out]

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 5)

[Not filled out]

SCHEDULE C—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 6)

1. Kind of Property	2. Date Acquired	3. Amount Received	4. Depreciation Allowable Since Acquisition	5. Cost	6. Value as of March 1, 1913	7. Subsequent Improvements	8. Net Profit (Enter as Item 6)
Stock Right Bk. of Italy	1927	$ 21.00	$	$	$	$	$ 21.00
Bond L. A. Water	2-11-26	1,000.00		1,040.00		Loss	40.00
Christler Auto	5-27-25	850.00	746.15	1,885.00	Sold May 2-27	Loss	288.85
						Loss	$307.85

SCHEDULE D—CAPITAL NET GAIN OR LOSS FROM SALE OF ASSETS HELD MORE THAN TWO YEARS (See Instruction 6a)

1. Kind of Property	2. Date Acquired	3. Date Sold	4. Amount Received	5. Depreciation Allowable Since Acquisition	6. Cost	7. Value as of March 1, 1913	8. Subsequent Improvements, and Capital Deductions	9. Net Gain or Loss (Enter 12½% as Item 49)
	Mo. Day Year	Mo. Day Year						
Highland Ave. Business	3-30-23	3- 3-27	$41,750.00	$1,968.55	$41,166.65	$	$	$2,551.90
49 Sh. Bancitaly	8-31-24	4-14-27	5,375.04		1,838.73			3,536.31
Speedboat	5-18-25	8- 5-27	1,275.00	508.43	1,550.58			232.85
Lincoln Auto	- -23	3- 3-27	1,500.00	7,621.80	7,771.80			1,350.00
								Gain $7,671.06

SCHEDULE E—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES

(See Instruction 8)

1. Obligations or Securities	2. Interest Received or Accrued	3. Amount Owned	4. Principal Amount Exempt From Taxation	5. Amount Owned in Excess of Exemption	6. Interest on Amount in Excess of Exemption (Enter as Item 8)
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia	$	$	All	x x x x x x x x x	
(b) Securities issued under Federal Farm Loan Act, or under such Act as Amended			All	x x x x x x x x x	
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917, and obligations of possessions of the United States	259.00	7,400.00	All	x x x x x x x x x	
(d) Liberty 4% and 4¼% Bonds, Treasury 3⅜%, 3¾%, 4%, and 4¼% Bonds, Treasury Certificates of Indebtedness, and Treasury (War) Savings Certificates	36.12	850.00	$5,000	$	$
(e) Treasury Notes			None		

SCHEDULE F—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 12, 14, 15, AND 16

[Not filled out]

EXPLANATION OF DEDUCTION FOR DEPRECIATION IN SCHEDULES A AND B

[Not filled out]

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A, AND IN ITEM 13

[Not filled out]

ITEM 1

Business Expense

Office Rent	1,200.00	
Depre. of Office Furn. & Fix	5,257.47	
Depre. of Messenger's Car	166.12	
Auditing	566.00	
Tel. & Tel.	264.46	
Messenger's Car Expense	209.27	
Messenger's Salary	1,070.00	
Stationery	61.60	
Insurance	470.57	
Previewing	92.83	
Sundry Expense	32.43	
Business Club Dues		
Hollywood Ath. Club	60.05	
Com. Club of L. A.	40.00	
Save the Redwoods	2.00	
Writers Club	72.00	
Breakfast Club	100.00	
Lambs Club	317.50	
The Masquers	25.00	
Acad. of M. P. Arts & Sciences	35.00	
Com. Assn. of S. Calif.	25.00	
Hollywood Chamber of Com.	12.00	
Authors League	1.00	
Film Mercury	3.00	
Newspapers	5.35	698.10
TOTAL		$10,088.85

[840]

ITEM II

Interest Paid

Bank of Italy on Hollywood Blvd.	$ 262.50
Bank of Italy on Highland Ave.	153.12
Sec. Trust & Sav. Bank Loan	830.83
Deferred Income Tax	116.67
	$1,363.12

[841]

ITEM 3

Taxable Interest

U. S. of Brazil	19.01
Bank of America	171.06
Federal Trust & Savings Bank	30.73
Commercial National Tr. & Sav. Bank	58.11
Bank of Italy	64.32
Salt Lake Terminal	60.00
Czeko Slovak	19.38
Midi Ry. of France	290.41
Sam Claggett	100.00
Minor Child	4.05
TOTAL	$ 817.07

[842]

ITEM 7

Dividends Received

Elias-Katz	$ 500.00	
Bank of Italy	666.82	
Bancitaly	586.88	
Commercial National	30.00	
Central Investment	7.00	
L. A. Speedway	12,150.00	
C. B. de Mille Prod.	30,000.00	
Equitable Investment Co.	1,000.00	
	44,940.70	
Minor Child		
Elias-Katz	120.00	
Bancitaly	68.68	
Bank of Italy	116.88	
Rights Bancitaly	58.65	
St. Louis & San F. Ry.	12.00	
B. & O. Ry.	13.00	
Kinnicott Copper	11.25	
Rights St. Louis	5.40	
Penn. Ry.	7.89	413.75
TOTAL		$45,354.45

[843]

ITEM 12

Taxes Paid

Real Estate	
N. Side Sunset Blvd.	18.93
Hollywood Blvd	424.70
Observatory Ave.	89.25
Franklin Ave.	220.64
Paradise	377.60
Argyle Ave.	665.41
North Est. Subdivision	70.45
Personal Property	843.76
Gas—Club Dues—Tickets	297.59
TOTAL	$3,008.33

[844]

ITEM 14

Bad Debts

Burnwell	5,520.00
Burnwell Syn.	21,858.03
Bruce Delmater	125.00
Eva Benton	25.00
Eddie Coffee	50.00
Georgia de Voie	75.00
Mrs. Harkness	20.00
Mildred Harris	50.00
Selma Maynard	300.00
Elizabeth Marshall	35.00
Adelaide Murry	550.00
Della Smith	140.00
J. E. Tremble	50.00
Ethel Holmes	40.00
Harry Penn	116.60
Frances Powers	50.00
TOTAL	$29,004.63

[845]

ITEM 15

Contributions

Assn. of the Army of the U. S.	$ 5.00
American Red Cross Assn. (Mississippi Fund)	500.00
American Green Cross Assn.	1.00
American Humane Assn.	10.00
Associated Charities	20.00
Author's League	1.00
Al Malaikah Childrens Hospital	2.00
Community Chest	5,450.00
Disabled Veterans of World War	50.00
Good Samaritan Hospital	20.00
Los Angeles Museum Assn.	100.00
Moving Picture Relief	300.00
Mission Play	200.00
Mississippi Relief Fund	1.00
National Vaudeville Assn.	1,000.00
Public Playgrounds	200.00
Prevention of Forest Fires	750.00
Reserve Officers Assn.	75.00
St. Johns Church of Wash., N. C.	1,108.69
St. Johns Episcopal Church	10.00
Swedish Church of America	100.00
The Kings Daughters & Sons	10.00
United Jewish Relief	500.00
War Veterans Hospital	100.00
World War Veterans	12.00
TOTAL	$10,530.69

[846]

Kind of Property	Amt. Recd.	Depreciation	Other Expenses	Net Profit
Argyle Ave.	405.00	279.08	82.67	43.25
Highland Ave.	567.46			567.46
Hollywood Blvd.	56.75			56.75
Sunset & Cahuenga	8.65			8.65
Franklin Ave.		255.97		255.97
Royalties				
"Ten Commandments"				117.02
"King of Kings"				500.00
"Rejuvenation of Aunt Mary"				11.25
"Genius"				1.89
NET PROFIT				$1,050.30

Other Expenses—Insurance	9.10	
Light	40.04	
Water	13.53	
Patrol	20.00	
TOTAL	$82.67	

[847]

Ex. of time granted to March 25, 1929

Form 1040
U. S. Internal Revenue
(Auditor's Stamp)
Extension 3/15/29

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES FROM SALARIES OR WAGES OF MORE THAN $5,000
OR INCOMES, REGARDLESS OF AMOUNT, FROM BUSINESS, PROFESSION, RENTS, OR SALE OF PROPERTY

For Calendar Year 1928

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1929

Do Not Write in These Spaces

File Code 92

Serial Number 31317

(Collector's Stamp)
MAR 26 16
LOS ANGELES CA
U. S.

Cash Check M. O. Cert. of Ind.
First Payment
$ 0.00
Carded
As

(PRINT NAME AND ADDRESS PLAINLY BELOW)

CECIL B. DE MILLE
(Name)

METRO GOLDWYN MAYER STUDIO
(Street and number, or rural route)

CULVER CITY (Post office) CALIFORNIA (County) (State)

Occupation, Profession, or Business MOTION PICTURE DIRECTOR & PRODUCER

36,625.42

R.A.R. 2-Ay 1931

1. Are you a citizen or resident of the United States? YES
2. If you filed a return for 1927, to what Collector's office was it sent? 6TH CALIF
3. Is this a joint return of husband and wife? NO
4. State name of husband or wife if a separate return was made and the Collector's office where it was sent CONSTANCE A DE MILLE 6TH CALIF
5. Were you married and living with husband or wife on the last day of your taxable year? YES
6. If not, were you on the last day of your taxable year supporting one or more persons living in your household who are closely related to you? X
7. If your status in respect to questions 5 and 6 changed during the year, state date and nature of change X
8. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support because mentally or physically defective were receiving their chief support from you on the last day of your taxable year? 3

INCOME

Item and Instruction No.		Amount received	Expenses paid (Explain in Schedule F)		
1.	Salaries, Wages, Commissions, etc. (State name and address of person from whom received)				ONE HALF OF PERSONAL EXEMPTION CLAIMED BY WIFE
	C. B. DE MILLE PICTURE CORP	$ 45416 65	$ 4000 12	$ 151 999 88	
	C. B. DE MILLE PRODUCTIONS INC	110583 35			
	1/2 OF MY WIFES SALARY RETURNED AS COMMUNITY INCOME			22 100 00	
2.	Income from Business or Profession. (From Schedule A)				
3.	Interest on Bank Deposits, Notes, Corporation Bonds, etc. (except interest upon which a tax was paid at source)			1 023 68	
	(a) Interest on Tax-free Covenant Bonds Upon Which a Tax was Paid at Source			60 00	
4.	Income from Partnerships. (State name and address)				
	DIRECTORS FEES BANK OF ITALY			30 00	
	(a) Income from Fiduciaries. (State name and address)				
	SUNDRY INCOME RECEIVED BY MINOR CHILD			209 80	
5.	Rents and Royalties. (From Schedule B) EXCESS OF CARRYING CHARGES OVER INCOME			3 515 73	LOSS
6.	Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C)			305 98	LOSS
7.	Dividends on Stock of Domestic Corporations INCLUDING 396 85 RECEIVED BY MINOR CHILD			49 898 67	
8.	Taxable Interest on Liberty Bonds, etc. (From Schedule E)				
9.	Other Income (including dividends received on stock of foreign corporations). (State nature of income)				
	(a) ROYALTIES ON PICTURE RIGHTS			662 44	
	(b)				
10.	Total Income in Items 1 to 9				$ 222 162 76

DEDUCTIONS

11.	Interest Paid OTHER THAN REAL ESTATE	$ 1 989 73	
12.	Taxes Paid. (Explain in Schedule F) OTHER THAN REAL ESTATE	2 541 22	
13.	[illegible] 1/2 OF MY SALARY RETURNED BY MY WIFE	75 999 94	
14.	Bad Debts. (Explain in Schedule F) NOTES AND WORTHLESS STOCK	60 959 33	
15.	Contributions. (Explain in Schedule F)	6 818 35	
16.	Other Deductions Authorized by Law. (Explain in Schedule F)	6 141 86	
17.	Total Deductions in Items 11 to 16		$ 154 450 43
18.	Net Income (Item 10 minus Item 17)		$ 67 712 33

EARNED INCOME CREDIT

19.	Earned Net Income (not over $30,000)	$30000 00
20.	Less Personal Exemption and Credit for Dependents (see Instruction 20)	2350 00
21.	Balance (Item 19 minus Item 20)	$27650 00
22.	Amount taxable at 1½% (not over the first $4,000 of Item 21)	$ 4000 00
23.	Amount taxable at 3% (not over the second $4,000 of Item 21)	4000 00
24.	Amount taxable at 5% (balance over $8,000 of Item 21)	19650 00
25.	Normal Tax (1½% of Item 22)	$ 60 00
26.	Normal Tax (3% of Item 23)	120 00
27.	Normal Tax (5% of Item 24)	982 50
28.	Surtax on Item 19 (see Instruction 21)	880 00
29.	Tax on Earned Net Income (total of Items 25, 26, 27, and 28)	$ 2042 50
30.	Credit of 25% of Item 29 (not over 25% of Items 28, 42, 43, and 44)	$ 510 62

COMPUTATION OF TAX (See Instruction 21)

31.	Net Income (Item 18 above)		$67712 33	
32.	Less Dividends (Item 7 above)	$9898 67		
33.	Interest on Liberty Bonds, etc. (Item 8)			
34.	Credit for Dependents	1200 00		
35.	Personal Exemption	1150 00		
36.	Total of Items 32, 33, 34, and 35		52248 67	
37.	Balance (Item 31 minus Item 36)		$15463 66	
38.	Amount taxable at 1½% (not over the first $4,000 of Item 37)		4000 00	
39.	Balance (Item 37 minus Item 38)		$11463 66	
40.	Amount taxable at 3% (not over the second $4,000 of Item 37)		4000 00	
41.	Amount taxable at 5% (balance over $8,000 of Item 37)		$ 7463 66	
42.	Normal Tax (1½% of Item 38)			$ 60 00
43.	Normal Tax (3% of Item 40)			120 00
44.	Normal Tax (5% of Item 41)			373 18
45.	Surtax on Item 18 (see Instruction 21)			5671 10
46.	Tax on Net Income (total of Items 42, 43, 44, and 45)			$ 6224 28
47.	Adjustment for Capital Gain or Loss (12½% of Column 9, Schedule D)			27378 86
48.	Total of or difference between Items 46 and 47			$3603 14
49.	Less Credit of 25% of Tax on Earned Net Income (Item 30)			510 62
50.	Total Tax (Item 48 minus Item 49)			$3092 52
51.	Less Income Tax Paid at Source			1 20
52.	Income and Profits Taxes paid to foreign country or U. S. possession			
53.	Balance of Tax (Item 50 minus Items 51 and 52)			$3091 32

Interest to March 15 13.79

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements (if any), has been examined by me, and to the best of my knowledge and belief, is a true and complete return made in good faith for the taxable year as stated, pursuant to the Revenue Act of 1928, and the Regulations issued under authority thereof.

3325 7433 105.11

(If return is made by agent, the reason therefor must be stated on this line)

Cecil B. DeMille
(Signature of individual or agent)

Sworn to and subscribed before me this 26th day of March, 1929.

NOTARIAL SEAL

(Signature of officer administering oath) (Title)

(Address of agent)

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

NOTARY PUBLIC IN AND FOR THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA
My Commission Expires June 12, 1930

3—14255

CC

SCHEDULE A—INCOME FROM BUSINESS OR PROFESSION (See Instruction 2)

[Not filled out]

SCHEDULE B—INCOME FROM RENTS AND ROYAYTIES (See Instruction 5)

[Not filled out]

SCHEDULE C—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 6)

[Not filled out]

SCHEDULE D—CAPITAL NET GAIN OR LOSS FROM SALE OF ASSETS HELD MORE THAN TWO YEARS (See Instruction 6a)

1. Kind of Property	2. Date Acquired	3. Date Sold	4. Amount Received	5. Depreciation Allowable Since Acquisition	6. Cost	7. Value as of March 1, 1913	8. Subsequent Improvements, and Capital Deductions	9. Net Gain or Loss (Enter 12½% as Item 49)
	Mo. Day Year	Mo. Day Year						
34,457 Sh. Pathe Exch.	4/17/27	.....	$235.110.55	$	$16,079.69	$	$	$219,030.86

State how property was acquired—This was acquired through the reorganization of the Cinema Corp. of America in exchange for stock acquired Apr. 24, 1925. See Art. 501, Reg. 74.

SCHEDULE E—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES
(See Instruction 8)

1. Obligations or Securities	2. Interest Received or Accrued	3. Amount Owned	4. Principal Amount Exempt from Taxation	5. Amount Owned in Excess of Exemption	6. Interest on Amount in Excess of Exemption (Enter as Item 8)
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia	$	$	All	x x x x x x x x x	
(b) Securities issued under Federal Farm Loan Act, or under such Act as Amended			All	x x x x x x x x x	
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917, and obligations of possessions of the United States	259.00	7,400.00	All	x x x x x x x x x	
(d) Liberty 4% and 4¼% Bonds, Treasury 3⅜%, 3¾%, 4%, and 4¼% Bonds, Treasury Certificates of Indebtedness, and Treasury Savings Certificates	30.03	850.00	$5,000	$	$
(e) Treasury Notes			None		

SCHEDULE F—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 12, 14, 15, AND 16

[Not filled out]

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

[Not filled out]

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A, AND IN ITEM 13

[Not filled out]

March 15, 1929.

IT:OJP
Cecil B. DeMille
c/o DeMille Studio,
Culver City, Calif.,

Sir:

Receipt is acknowledged of your letter of recent date requesting, for the reasons therein given, extension of time within which to file your return of income for the calendar year 1928.

An extension of time to March 25, 1929, is hereby granted within which the above mentioned return may be filed and payment made of the installment of tax shown to be due thereon.

In all cases where an extension of time is granted interest shall be collected at the rate of one-half of one per cent a month upon each installment from the original due date thereof to the expiration of the period of the extension even though payment is made prior to the time to which the extension is granted.

A copy of this letter must be attached to the return when it is filed as authority for the extension of time herein granted.

Respectfully,
D. H. BLAIR,
Commissioner.
By GALEN H. WELCH,
Collector.

#222
B

[850]

ITEM 1

Business Expense

Messenger Service	1,131.25	
Other Salary	150.00	
Projecting	5.00	
Preview Tickets	108.03	
Office Rent	1,215.00	
Auditing	396.00	
Subscriptions to Art and Science	124.61	
Entertainment at Business Clubs	15.40	
Repairs	15.50	
Office Furniture Insurance	61.99	
Tel. and Tel.	15.42	
Business Auto Expense	761.92	4,000.12

ITEM 3

Interest Received

Bank of Italy	$ 690.25
Commercial National Bank	150.65
Bank of America	20.48
Federal Trust and Savings Bank	2.24
Polish Zloty Kronan	4.20
U. S. of Brazil	9.60
Midi R. R. of France	38.82
Mr. Claggett	100.00
Jack Fife	7.44
Total	$1023.68

ITEM 3 (a)

Interest Received 2% Paid at Source

Salt Lake Terminal	$60.00

ITEM 4 (a)

Income of Minor Child

Pension from Canadian Government	$208.00
Sale of Rights—St. L. and S. F.	2.55
Total	$210.55
Less exchange on Foreign draft	.75
Total	$209.80

[852]

ITEM 5

Rentals

Argyle Ave.

Taxes	$ 707.48	
Street lighting	22.64	
Insurance	56.00	
Depreciation	279.08	
	1,065.20	
Less Rentals	704.00	
Total		$ 361.20

ITEM 5 (Cont.)
Rentals

Encino Ranch		
Taxes	136.86	
Interest	262.89	
Depreciation	296.30	
Total		696.05
Franklin Ave.		
Taxes	113.12	
Depreciation	255.97	
Total		369.09
Hollywood Blvd.		
Taxes	480.64	
Interest	437.50	
	918.14	
Less Rentals	35.79	
Total		882.35
Observatory Ave.		
Taxes	102.42	
Repairs	1,040.29	
Total		1,142.71
S. Side Sunset		
Taxes	62.37	
Less Rentals	5.06	
Total		57.31

ITEM 5 (Cont.)

Rentals

Laughlin Park		
Fertilizer	48.50	48.50
Total		3,557.21
N. Side Sunset		
Tax Refund	41.48	41.48
Excess of Carrying Chgs. over Income		$3,515.73

[853]

ITEM 7

Dividends Received

Bancitaly	$ 866.32
Bank of Italy	1,245.00
Central Investment Co.	7.00
C. B. de Mille Productions	40,600.00
Standard Oil of N. J.	150.00
White Sewing Machine	100.00
L. A. Speedway	6,300.00
International Combine Engine	175.00
Bank of America	58.50
Total	$49,501.82

Income from Minor Child		
Bank of Italy	220.00	
Bancitaly	96.32	
Bank of America	4.50	
Elias Katz	20.00	
Baltimore and Ohio Railway	12.00	
Penn. Railway	12.28	
St. Louis and S. F.	16.00	
Kennicott Copper	15.75	
Total		396.85
Total		$49,898.67

[854]

ITEM 9 (a)

Royalties Received

Ten Commandments	$ 31.57
Genius	25.68
Aunt Mary	219.38
King of Kings	135.81
Godless Girl	250.00
Total	$ 662.44

ITEM 11

Interest Paid

Security Trust Note for $10,000.00	$ 378.23
Bancitaly—Subscription to Stock of B. of I.	191.74
Bancitaly—Subscription to Stock of B. of A.	111.39
Accrued Interest on Bond	.59
Interest on deferred Income Tax 1923	1,307.78
Total	$1,989.73

ITEM 12

Taxes Paid

Federal—Show	$ 20.00
Federal—Club	36.50
Federal—Tickets	8.90
Federal—Stamps	.10
State—Truck	(10.00)
State—Gas	110.95
State license	34.00
City & Co. N. East Sub.	33.65
Co.—Paradise	497.95
Co.—Big Bear	34.52
City & Co.—Personal Property	1,774.65
Total	$2,541.22

[855]

ITEM 14

Bad Debts

W. T. Wyatt	$ 100.00
Z. Lory	300.00
N. Kildare	250.00
A. Elter	1,092.50
A. Charlbon	50.00
Wm. Sherer	225.00
M. Salvine	100.00
S. G. Ponty	110.00
Maggie Mofford	26.83
B. Johns	50.00
Geo Ellis	5.00
Calif. Air Construction	53,150.00
American Magnesium	5,500.00
Total	$60,959.33

ITEM 15

Donations

Community Chest	$5,059.85
Xmas Dinner Fed. Assn.	10.00
American Red Cross	897.50
Catholic Church	25.00
Authors League	2.00
Maternity Hospital	25.00
St. Erne Hospital	50.00
Mt. Olive Baptist Church	10.00
Humane Trapping	10.00
American Church	100.00
Motion Picture Relief Assn.	20.00
Tuberculosis Assn.	2.00
National Jewish Hospital	50.00
Jewish Relief Consumption	100.00
Public Parks and Playgrounds	150.00
China Famine Relief	50.00
Al Malikah Hospital	7.00
Downing Shafner Inst. for Girls	250.00
	$6,818.35

[856]

ITEM 16

Sundry Expenses

Dues and Subscriptions		
Redwood	2.00	
Academy of Motion Picture Assn.	40.00	
Masquers	75.00	
Lambs	19.25	
Writers	30.00	
American Forest	4.00	
Total		$ 170.25
Depreciation		
Kitchen	56.63	
Office	5,257.47	
Buick	103.76	
Ford	141.75	
Total		$5,559.61
Publicity		
Previewing	38.00	
Trophies	124.00	
Engraving	250.00	
Total		412.00
Total		$6,141.86

ITEM 6

PROFIT ON SALE OF STOCKS AND BONDS

No. Shares		Sale Price	Cost Price	Loss	Gain
10	Coml. Natl. Bank	2,250.00	1,600.00		650.00
14/40R.	Bank of America	55.20	.....		55.20
10	American Investigative	1.00	1,000.00	999.00	
	Interest		12.18	12.18	
				1,011.18	705.20
				705.20	
	Net Loss.....			305.98	

[857]

Form 1040
TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES FROM SALARIES OR WAGES OF MORE THAN $5,000
AND INCOMES FROM BUSINESS, PROFESSION, RENTS, OR SALE OF PROPERTY

For Calendar Year 1929

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1930

Do Not Write in These Spaces

5712

File No.

Serial Number 302311

(Cashier's Stamp)

PRINT NAME AND ADDRESS PLAINLY BELOW

CECIL B DE MILLE
(Name)

METRO GOLDWYN MAYER STUDIO
(Street and number, or rural route)

CULVER CITY (Post office) (County) CALIFORNIA (State)

Occupation MOTION DIRECTOR AND PRODUCER

Cash Check M.O. Credited Ind. First Payment

$ 1 1 1.

Credited

As 6th Calif

1. Are you a citizen or resident of the United States? YES
2. If you filed a return for 1928, to what Collector's office was it sent? 6TH CALIF
3. Is this a joint return of husband and wife? NO
4. State name of husband or wife if a separate return was made and the Collector's office where it was sent. CONSTANCE A DE MILLE 6TH CALIF
5. Were you married and living with husband or wife on the last day of your taxable year? YES
6. If not, were you on the last day of your taxable year supporting in your household one or more persons closely related to you? X
7. If your status in respect to questions 5 and 6 changed during the year, state date and nature of change. X
8. If married (other than husband or wife) under 18 years of age or incapable of self-support were receiving their chief support from you on the last day of your taxable year? 2

PIELD

Item and Instruction No.	INCOME	Amount received (Explain in Schedule F)	Tax paid at source (Explain in Schedule F)	
1.	Salaries, Wages, Commissions, etc. (State name and address of employer)			
	CECIL B DE MILLE PRODUCTIONS INC	$ 130500 00	10669 36	$ 119 830 64
	½ OF MY WIFES SALARY RETURNED AS COMMUNITY INCOME			22 100 00
2.	Income from Business or Profession. (From Schedule A)		Tax $ 13,126.29	
3.	Interest on Bank Deposits, Notes, Corporation Bonds, etc. (except interest on tax-free covenant bonds)			4 312 35
4.	Interest on Tax-free Covenant Bonds Upon Which a Tax was Paid at Source		SALT LAKE TERMNL	60 00
5.	Income from Partnerships. (State name and address)			
	DIRECTORS FEES FROM OTHER CORPORATIONS		Total $	60 00
6.	Income from Fiduciaries. (State name and address)		Basis CA or RAR.	
	A G KING-ARIZONA CONTRACT		Audited by Ed	17 333 34
7.	Royalties. (From Schedule D)		Unit No.	512 24
8.	Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C)			3 653 23
				39 062 15
10.	Taxable Interest on Liberty Bonds, etc. (From Schedule E)			
11.	Other Income (including dividends on stock of foreign corporations). (State nature of income)			
	(a) LIQUIDATING DIVIDEND OF LOS ANGELES SPEEDWAY			2 374 52
	(b) MANUSCRIPT 50 00 DISCOUNT ON LOAN 750 00			800 00
12.	TOTAL INCOME IN ITEMS 1 TO 11			$ 210 098 47
	DEDUCTIONS			
13.	Interest Paid. OTHER THAN ON REAL ESTATE			$ 7 232 97
14.	Taxes Paid. (Explain in Schedule F) OTHER THAN ON REAL ESTATE			1 415 52
15.	Losses by Fire, Storm, etc. (Explain in Table at foot of page 2)			
16.	Bad Debts (Explain in Schedule F) REAL ESTATE CARRYING CHARGES			1 895 91
17.	Contributions. (Explain in Schedule F)			8 290 02
18.	Other Deductions Authorized by Law. (Explain in Schedule F) ½ MY SALARY RETURNED BY WIFE			65 250 00
19.	TOTAL DEDUCTIONS IN ITEMS 13 TO 18			$ 34 084 42
20.	NET INCOME (Item 12 minus Item 19)			$ 126 014 05

2150 00 OF THE PERSONAL EXEMPTION IS CLAIMED BY WIFE

EARNED INCOME CREDIT

21.	Earned Income (not over $30,000)	$ 30000 00
22.	Less Personal Exemption and Credit for Dependents	2150 00
23.	Balance (Item 21 minus 22)	27850 00
24.	Amount taxable at 1½% (not over $4,000)	$ 4000 00
25.	Amount taxable at 3% (not over $4,000)	4000 00
26.	Amount taxable at 5% (balance over $8,000 of Item 23)	19850 00
27.	Normal Tax (1½% of Item 24)	$ 20 00
28.	Normal Tax (3% of Item 25)	80 00
29.	Normal Tax (5% of Item 26)	794 00
30.	Surtax on Item 21	880 00
31.	Tax on Earned Net Income (total of Items 27 to 30)	$ 1774 00
32.	Credit of 25% of Tax (not over 25% of Items 30, 44, 45, and 46)	$ 443 50

COMPUTATION OF TAX (See Instruction 23)

33.	Net Income (Item 20 above)	$ 126014 05		
34.	Less: Dividends (Item 9)	$ 39062 15		
35.	Interest on Liberty Bonds, etc. (Item 10)			
36.	Credit for Dependents	800 00		
37.	Personal Exemption	1350 00		
38.	Total of Items 34 to 37	$ 41212 15		
39.	Balance (Item 33 minus 38)	$ 84801 90		
40.	Amount taxable at 1½% (not over $4,000)	4000 00		
41.	Balance (Item 39 minus 40)	$ 80801 90		
42.	Amount taxable at 3% (not over $4,000)	4000 00		
43.	Amount taxable at 5% (Item 41 minus Item 42)	$ 76801 90		
44.	Normal Tax (1½% of Item 40)		$	20 00
45.	Normal Tax (3% of Item 42)			80 00
46.	Normal Tax (5% of Item 43)			3072 08
47.	Surtax on Item 20 (see Instruction 23)			16862 81
48.	Tax on Net Income (total of Items 44 to 47)		$	20034 89
49.	Tax on Capital Gain or Loss (12½% of Col. 8, Sched. D)			11528 64
50.	Total of or difference between Items 48 and 49		$	31563 53
51.	Less Credit of 25% of Tax on Earned Income (Item 32)			443 50
52.	Total Tax (Item 50 minus 51)		$	31120 03
53.	Less Income Tax Paid at Source			30
54.	Income Tax paid to a foreign country or U. S. possession			
55.	Balance of Tax (Item 52 minus Items 53 and 54)			31119 73

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements, has been examined by me, and to the best of my knowledge and belief, is a true and complete return made in good faith for the taxable year stated, pursuant to the Revenue Act of 1928 and the Regulations issued thereunder.

(If return is made by agent, the reason therefor must be stated on this line)

Sworn to and subscribed before me this ..... day of ....., 1930.

(Signature of individual or agent)

NOTARIAL SEAL

(Signature of officer administering oath) (Title) (Address of agent)

An amended return must be marked "Amended" at top of return. Checks and drafts will be accepted only if payable at par

2—15188

SCHEDULE A—INCOME FROM BUSINESS OR PROFESSION (See Instruction 2)

[Not filled out.]

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 7)

See Schedule Attached

SCHEDULE C—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

See Schedule Attached

SCHEDULE D—CAPITAL NET GAIN OR LOSS FROM SALE OF ASSETS HELD MORE THAN TWO YEARS (See Instruction 8a)

1 Kind of Property—Stock	2. Date Acquired	3. Date Sold	4. Amount Received	5. Depreciation Allowable Since Acquisition	6. Cost or Value as of March 1, 1913, Whichever Greater	7. Subsequent Improvements, and Capital Deductions	8. Net Gain or Loss (Enter 12½% as Item 49)
	Mo. Day Year	Mo. Day Year					
C. B. De Mille Prod.	6-10-22		$ 600.00	$	$ 131.25	$	$ 468.75
Pathe Exchange	4-24-25		71,262.65		2,706.27		68,556.38
Transamerica	8-31-24		31,135.00		7,931.02		23,203.98
TOTALS			$102,997.65		$10,768.54		$92,229.11

SCHEDULE E—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES

(See Instruction 10)

1. Obligations or Securities	2. Interest Received or Accrued	3. Amount Owned	4. Principal Amount Exempt From Taxation	5. Amount Owned in Excess of Exemption	6. Interest on Amount in Excess of Exemption (Enter as Item 10)
(a) Obligations of a State, Territory, or political subdivision thereof, or the District of Columbia	$2,203.93	$31,000.00	All	x x x x x x x x	
(b) Securities issued under Federal Farm Loan Act or as Amended, and Certificates of Indebtedness issued after June 17, 1929	176.55	5,000.00	All	x x x x x x x x	
(c) Liberty 3½% Bonds and other obligations of United States issued on or before September 1, 1917, and obligations of U. S. possessions	364.35	10,000.00	All	x x x x x x x x	
(d) Liberty 4% and 4¼% Bonds, Certificates of Indebtedness issued before June 18, 1929, Treasury Bonds and Savings Certificates	11.21	1,000.00	$5,000	$	$
(e) Treasury Notes			None		

SCHEDULE F—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 14, 16, 17, AND 18

See Schedule Attached

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

See Schedule Attached

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A, AND IN ITEM 15

None

[859]

ITEM #1

Schedule of Business Expenses

Messenger's Salary	2,330.00	
Less 1.2 for Personal	1,165.00	1,165.00
Rent of Office		1,100.00
Rent of Safety Box		15.00
Studio Expense		102.12
Automobile Expense		
Gas-Oil-Tires-Repairs	378.94	
½ Loss on sale Buick	74.19	
" " Ford	88.76	
½ Dep. Buick	135.11	
" " Ford	73.56	750.56
Office Expense		
Stationery	51.99	
Postage	10.00	
Auditing	590.00	
Tel. & Tel.	238.23	
Insurance F. & F.	353.27	1,243.49
Previewing		96.30
Research		197.50
Flowers		49.00
Legal Expense		546.90
Depreciation		
Furn. & Fix.	5,248.36	
Kitchen equip.	56.63	5,304.99
Dues & Subscriptions		
Film Daily	10.00	
Literary Digest	4.00	
Holly Daily Screen	8.00	
Exhibitors Review	10.00	
Unity School	1.50	
Academy of MPA&S	65.00	98.50
Total Business Expense		10,669.36

ITEM #3

Schedule of Interest Received

Banks			
Bank of Italy—CC Gen.		583.91	
" CC Sav		142.52	
" Holly-Gen.		387.20	
Sec. Tr. & Sav.—Holly		29.25	1,142.88
Bonds—Foreign			
Czecko-Slovakia		96.90	
Midi RR of France		57.55	
Rep. of Brazil		19.12	
Rep. of Poland		.56	
		174.13	
Rep. of Bolivia		12.00	162.13
Notes			
S. A. Claggett		786.08	
C. B. deMille Prods.		2,213.30	
Jack Fife		1.96	
A. G. King		3.00	
Gladys Rosson		3.00	3,007.34
Total interest			4,312.35

Note: Domestic Corp. having Tax Free covenant clause not included.

[861]

ITEM #7

Schedule of Royalties Received

King of Kings	227.54	
Royal Mounted	1.28	
Rej. of Aunt Mary	302.10	530.92
Less 10 Commandments		18.68
Total Royalties		512.24

ITEM #8

Schedule of Profit on Sale of Real Estate and Stocks

Real Estate	Cost	Selling	Loss	Profit	Net Profit
Hollywood Blvd. lot	.....	.....	.....	.....	2,922.32
Stock					
1/40 Bank of America	.....	5.25	.....	5.25	.....
1 White Sewing Mach. Co.	5,422.50	4,874.85	547.65	.....	.....
			547.65	5.25	.....
			5.25	.....	542.40
Bonds					
67-M Roosevelt Irri. Dist.	56,950.00	58,230.00	.....	1,280.00	.....
5-M U. S. Treasury Cert.	4,996.49	5,000.00	.....	3.51	.....
100-L U. S. of Brazil	255.00	244.80	10.20	.....	.....
			10.20	1,283.51	.....
				10.20	1,273.31
Total profit on sales other than capital gain					3,653.23

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ITEM #9

Schedule of Dividends Received

Bank of America	111.35	
Bank of Italy	761.00	
Central Invest. Corp.	7.00	
Cecil B. deMille Prods.	34,791.00	
Interl. Comb. Engine	712.50	
Otis Steel	350.00	
Standard Oil of N. J.	187.50	
Transamerica	2,041.80	
White Sewing Mach.	100.00	39,062.15

Note: L. A. Speedway Dividend is Liquidating and appears as Item 11 (a).

ITEM #13

Schedule of Interest Paid

Bank of Italy		
Cal. Air Constr. Note	3,271.36	
28 shares of Bank of America	29.48	
Roosevelt Loan	388.75	3,689.59
Bancitaly		
28 shares of Bank of America	268.23	
Security Trust & Svg. Bank		
100,000.00 loan	2,099.14	
Hancock Life Ins. Co.		
Policy #467669	340.64	
Travelers Life Ins. Co.		
Policy #343308	670.00	
Republic of Peru		
Bonds	60.67	
U. S. Treasury		
Deferred Tax	76.81	
E. F. Hutton & Co.		
Margin a/c	3.30	
Geo. H. Flebbe		
Margin a/c	24.59	3,543.38
Total, other than on Real Estate		7,232.97

ITEM #14

Schedule of Taxes Paid

State Tax		
Gasoline	93.98	
Auto License	74.96	168.94
Federal		
Clubs	46.90	
Admission	1.00	
Duty on Import	845.60	
Stamp tax	2.42	895.92
City and County		
Personal property		350.66
Total taxes other than on real estate		1,415.52

ITEM #16

Schedule of Real Estate Carrying Charges

Argyle Ave.		
Taxes	815.23	
St. Light	17.62	
Depreciation	279.08	
	1,111.93	
Rent	725.00	386.93
Franklin Ave.		
Taxes		370.27
Hollywood Blvd.		
Taxes	443.43	
Interest	91.48	
St. Lighting	16.82	
	551.73	
Sign rent	30.00	521.73

Observatory Ave.			
Taxes		115.37	
Sunset & Cahuenga			
Taxes	22.26		
Interest	3.90	26.16	
North Est. Subd.			
Taxes		34.51	
Paradise Ranch			
Taxes		466.37	
Big Bear Valley Lot			
Taxes		35.55	
		1,956.89	
Encino Ranch			
Taxes	163.82		
Interest	560.00		
Depreciation	288.80		
	1,012.62		
Less rentals	1,073.60	60.98	
Total Real Estate carrying charges			1,895.91

[864]

ITEM #17

Schedule of Contributions

Army & Navy Marine Assn.	2.00
Assn. of Highway Patrolmen	2.50
Authors League	2.00
Al Malaikah Hospital	2.00
American Natl. Church	100.00
American Forestry	8.00
Benefit Performance Deaf	10.00
Community Chest	3,762.92
Children's Hospital	133.60
Cynthia Gray Xmas Fund	10.00
Downing Schofner, Inst.	250.00
Hollywood Hospital Assn.	2,500.00
Holland Society of N. Y.	8.00
Inter. America Foundation	100.00
Loyola University	100.00
L. A. Fire Dept.	2.50
L. A. County Conservation	25.00
L. A. Tuberculosis Assn.	2.00
Motion Picture Relief Fund	460.00
Nat. Areo Assn.	10.00
Old Dutch Houses	50.00
Parks & Playgrounds	150.00
Reserve Officers Assn.	53.00
Save the Redwoods League	4.00
Save Old Ironsides	30.00
Studio Carpenters Assn.	7.50
Shrine Fund	5.00
Temple of Israel	100.00
U. S. Forest Service	150.00
United Jewish Welfare	250.00
Total contributions	8,290.02

[865]

TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

(Auditor's Stamp)

INDIVIDUAL INCOME TAX RETURN

FOR NET INCOMES FROM SALARIES OR WAGES OF MORE THAN $5,000
AND INCOMES FROM BUSINESS, PROFESSION, RENTS, OR SALE OF PROPERTY

For Calendar Year 1930

File This Return With the Collector of Internal Revenue for Your District on or Before March 15, 1931

Do Not Write in These Spaces

File Code 712

Serial Number 303523

District 8-C

Collector's Stamp

WITH REMITTANCE
MAR 16 1931
Coll. of Int. Rev.
6th Dist. Calif.

Cash | Check | M.O. | Cert. of Ind. | Form Payment

$

PRINT NAME AND ADDRESS PLAINLY BELOW

CECIL B DE MILLE

C/O METRO-GOLDWYN-MAYER STUDIO
(Street and number, or rural route)

CULVER CITY (Post office) (County) CALIF (State)

Occupation MOTION PICTURE DIRECTOR AND PRODUCER

1. Are you a citizen or resident of the United States? YES
2. If you filed a return for 1929, to what Collector's office was it sent? LOS ANGELES
3. Was this a joint return of husband and wife? NO
4. State name of husband or wife if a separate return was made and the Collector's office where it was sent. CONSTANCE A DE MILLE LOS ANGELES
5. Were you married and living with husband or wife on the last day of your taxable year? YES
6. If not, were you on the last day of your taxable year supporting in your household one or more persons closely related to you? X
7. If your status in respect to questions 5 and 6 changed during the year, state date and nature of change. X
8. How many dependent persons (other than husband or wife) under 18 years of age or incapable of self-support were receiving their chief support from you on the last day of your taxable year? TWO

No.	INCOME	Amount received	Expenses paid (Explain in Schedule F)			
1.	Salaries, Wages, Commissions, etc. (State name and address of employer)					
	CECIL B DE MILLE PRODUCTIONS INC	$95500 00	$9047 06	$ 86	452	94
	FEES FROM BANK BOARD OF DIRECTORS				20	00
	PUBLICATION OF ARTICLES				75	00
2.	Income from Business or Profession. (From Schedule A)					
3.	Interest on Bank Deposits, Notes, Corporation Bonds, etc. (except interest on tax-free covenant bonds)			4	162	76
4.	Interest on Tax-free Covenant Bonds Upon Which a Tax was Paid at Source				60	00
5.	Income from Partnerships. (State name and address)					
6.	Income from Fiduciaries. (State name and address)					
7.	Rents and Royalties. (From Schedule B)				208	81
8.	Profit from Sale of Real Estate, Stocks, Bonds, etc. (From Schedule C)			7	794	24
9.	Taxable Interest on Liberty Bonds, etc. (From Schedule E)					
10.	Dividends on Stock of Domestic Corporations			33	916	33
11.	Other Income (including dividends on stock of foreign corporations). (State nature of income)					
	(a) ½ WIFES SALARY AS COMMUNITY INCOME			21	625	00
	(b) ARIZONA CONTRACT OF A G KING			24	000	00
12.	TOTAL INCOME IN ITEMS 1 TO 11				$ 162	726 60

2150 00 OF THE PERSONAL EXEMPTION IS CLAIMED BY THE WIFE

No.	DEDUCTIONS			
13.	Interest Paid	$ 3	141	99
14.	Taxes Paid. (Explain in Schedule F)	1	622	34
15.	XXXXXXXXXXXXXX (Explain in Table at foot of page 2) REAL ESTATE CARRYING CHARGES		765	79
16.	Bad Debts. (Explain in Schedule F)	54	773	00
17.	Contributions. (Explain in Schedule F)	17	957	00
18.	Other Deductions Authorized by Law. (Explain in Schedule F) ½ MY SALARY RETURNED BY WIFE	43	226	47
19.	TOTAL DEDUCTIONS IN ITEMS 13 TO 18		$ 111	486 59
20.	NET INCOME (Item 12 minus Item 19)		$ 51	240 01

EARNED INCOME CREDIT

21. Earned Income (not over $30,000)	$30000	00
22. Less Personal Exemption and Credit for Dependents	2150	00
23. Balance (Item 21 minus 22)	$27850	00
24. Amount taxable at 1½% (not over $4,000)	$4000	00
25. Amount taxable at 3% (not over $4,000)	4000	00
26. Amount taxable at 5% (balance over $8,000 of Item 23)	$19850	00
27. Normal Tax (1½% of Item 24)	$ 60	00
28. Normal Tax (3% of Item 25)	120	00
29. Normal Tax (5% of Item 26)	992	50
30. Surtax on Item 21	880	00
31. Tax on Earned Net Income (total of Items 27 to 30)	$2052	50
32. Credit of 25% of Tax (not over 25% of Items 30, 44, 45, and 46)	$ 354	67

COMPUTATION OF TAX (See Instruction 23)

33. Net Income (Item 20 above)		$51240	01
34. Less: Liberty Bond Interest (Item 9)	$		
35. Dividends (Item 10)	33916	33	
36. Credit for Dependents	800	00	
37. Personal Exemption	1350	00	
38. Total of Items 34 to 37		36066	33
39. Balance (Item 33 minus 38)		$15173	68
40. Amount taxable at 1½% (not over $4,000)		4000	00
41. Balance (Item 39 minus 40)		$11173	68
42. Amount taxable at 3% (not over $4,000)		4000	00
43. Amount taxable at 5% (Item 41 minus 42)		$ 7173	68

44. Normal Tax (1½% of Item 40)	$ 60	00
45. Normal Tax (3% of Item 42)	120	00
46. Normal Tax (5% of Item 43)	358	68
47. Surtax on Item 20 (see Instruction 23)	3141	20
48. Tax on Net Income (total of Items 44 to 47)	$ 3679	88
49. Tax on Capital Gain or Loss (12½% of Col. 8, Sched. D)	123	35
50. Total of or difference between Items 48 and 49	$ 3803	23
51. Less Credit of 25% of Tax on Earned Income (Item 32)	354	67
52. Total Tax (Item 50 minus 51)	$ 3448	56
53. Less Income Tax Paid at Source	1	20
54. Income Tax paid to a foreign country or U. S. possession		
55. Balance of Tax (Item 52 minus Items 53 and 54)	$ 3447	36

AFFIDAVIT

I swear (or affirm) that this return, including the accompanying schedules and statements, has been examined by me, and to the best of my knowledge and belief, is a true and complete return made in good faith for the taxable year stated, pursuant to the Revenue Act of 1928 and the Regulations issued thereunder.

(If return is made by agent, the reason therefor must be stated on this line)

Sworn to and subscribed before me this ____ day of March, 1931.

NOTARIAL SEAL

(Signature of officer administering oath) (Title)

My Commission expires

(Signature of individual or agent)

(Address of agent)

An amended return must be marked "Amended" at top of return

Checks and drafts will be accepted only if payable at par

1-18411

1191

SCHEDULE A—INCOME FROM BUSINESS OR PROFESSION (See Instruction 2)

[Not filled out]

SCHEDULE B—INCOME FROM RENTS AND ROYALTIES (See Instruction 7)

See Schedule Attached

SCHEDULE C—PROFIT FROM SALE OF REAL ESTATE, STOCKS, BONDS, ETC. (See Instruction 8)

[Not filled out]

SCHEDULE D—CAPITAL NET GAIN OR LOSS FROM SALE OF ASSETS HELD MORE THAN TWO YEARS (See Instruction 8a)

See Schedule Attached

SCHEDULE E—INTEREST ON LIBERTY BONDS AND OTHER OBLIGATIONS OR SECURITIES (See Instruction 9)

[Not filled out]

SCHEDULE F—EXPLANATION OF DEDUCTIONS CLAIMED IN ITEMS 1, 14, 16, 17, AND 18

See Sundry Schedules Attached

EXPLANATION OF DEDUCTION FOR DEPRECIATION CLAIMED IN SCHEDULES A AND B

[Not filled out]

EXPLANATION OF DEDUCTION FOR LOSSES BY FIRE, STORM, ETC., CLAIMED IN SCHEDULE A, AND IN ITEM 15

[Not filled out]

ITEM NO. 1

BUSINESS EXPENSE		
Salaries		
½ Messenger and Valet		$1,285.00
Rent		
Office at Home	$1,300.00	
Safety Box	15.00	1,315.00
Office Expense		
Auditing—Day	200.00	
Tele. & Tele.	116.85	
Photophone	70.27	
Flowers	35.00	
Bank Charges	1.10	
Stationery & Recording	2.00	
Depreciation		
Office Furniture & Fixtures	5,249.80	
Kitchen Equipment	56.63	5,731.65
AUTO EXPENSE		
Locomobile		
Repairs and Maintenance	149.87	
Insurance	53.34	
Buick		
Repairs and Maintenance	78.88	
Tires	38.67	
Depreciation ½ for Business	188.65	509.41
Reviewing		
Theatre Tickets		6.00
PUBLICITY		
Advertising	100.00	
Bass Medal	100.00	200.00
TOTAL BUSINESS EXPENSE		$9,047.06

[868]

ITEMS NO. 3 AND 4

INTEREST RECEIVED			
NOTES			
Adams, E. K.		15.00	
Claggett, S. A.		138.30	
Deaver, V. W.		116.67	
deMille, C. B. Prod.		1,843.67	
King, A. G.		9.00	
Rosson, Gladys		12.00	$2,134.64
BANK ACCOUNTS			
Bank of Italy—CC Gen.		1,557.39	
" " " " Sav.		85.00	
" " " Hollywood		268.04	
Sec. Tr. & Sav. Bank		57.74	1,968.17
BONDS—CORPORATION			
Salt Lake Terminal			60.00
BONDS—FOREIGN			
Midi Ry. of France		57.85	
Republic of Poland		2.10	59.95
Total Interest Received—Taxable			$4,222.76

[869]

ITEM NO. 7

ROYALTIES			
PLAYRIGHTS			
AUNT MARY		$151.87	
THE GENIUS		38.43	
ROYAL MOUNTED		.27	$190.57
PICTURES			
THE KING OF KINGS		6.74	
THE TEN COMMANDMENTS		11.50	18.24
TOTAL ROYALTIES RECEIVED			$208.81

[870]

ITEM NO. 8

STOCKS HELD LESS THAN TWO YEARS		
STOCK		
Bendix Corporation	($1,129.45)	
Hutton Margin	(17.71)	
Intercoast Trading	(541.19)	
International Combust. Eng.	(5,551.50)	
Richfield Oil Co.	(413.90)	
Transamerica	56.65	
BONDS		
East Bay Municipal	(197.14)	
NET LOSS ON HOLDINGS OF LESS THAN TWO YEARS		($7,794.24)

ITEM NO. 10

DIVIDENDS RECEIVED		
Bank of America	$ 126.00	
Bendix Corporation	200.00	
Central Investment Corp.	7.00	
deMille, Cecil B. Prod.	30,418.50	
Intercoast Trading	83.00	
Lone Butte Farms	5.18	
Otis Steel	525.00	
Richfield Oil Co.	3.50	
Standard Oil of N. J.	200.00	
Transamerica	1,665.65	
Vine St. Holding Co.	672.50	
Universal Consolidated Oil	10.00	
TOTAL DIVIDENDS RECEIVED		$33,916.33

[871]

ITEM NO. 13

INTEREST PAID (Other Than on Real Estate)			
BANK OF ITALY			
Calif. Air Note		$287.68	
SECURITY TRUST & SAV.			
deMille Productions		1,843.67	
INSURANCE			
Hancock No. 467669	$340.64		
Travelers No. 343308	670.00	1,010.64	
TOTAL INTEREST PAID			$3,141.99

ITEM NO. 14

TAXES PAID (Other Than Real Estate Carrying Charges)			
CITY AND COUNTY			
Personal Property	$679.47		
Paradise Club	685.49	$1,364.96	
STATE			
Gasoline	137.58		
Auto License	65.50	203.08	
FEDERAL			
Clubs			
Beach Club	9.00		
Calif. Yacht Club	4.80		
Hollywood Athletic Club	12.00		
Lambs Club	3.50		
Malibou	18.00		
Masquers	6.00	53.30	
Admission		1.00	
TOTAL TAXES PAID			$1,622.34

[872]

ITEM NO. 15

REAL ESTATE—Carrying Charges			
ARGYLE AVENUE			
Taxes		$683.21	
St. Lighting		14.21	
Insurance		3.00	
Depreciation		279.08	$979.50
FRANKLIN AVENUE			
Taxes		235.55	
Depreciation		255.97	
		491.52	
Rentals—Mrs. Adams		(1,200.00)	(708.48)
GRACIOSA DRIVE			
Taxes		81.54	
Interest		428.73	
Repairs		135.75	
Recording		3.25	
Depreciation		150.00	
		799.27	
Rentals			
Foy	(112.50)		
Strobel	(399.88)	(512.38)	286.89
NORTH EST. SUB.			
Taxes		70.05	
Depreciation		3.50	73.55
OBSERVATORY AVENUE			
Taxes			112.07
SUNSET & CAHUENGA			
Taxes		19.16	
Interest on Bonds		14.96	
Rent of Sign Board		(1.23)	32.89

ENCINO HORSE RANCH			
Taxes	262.77		
Interest	560.00		
Insurance	47.80		
Depreciation	343.80		
	1,214.37		
Rental—Jefferson	(1,225.00)	(10.63)	
NET REAL ESTATE CARRYING CHARGE			$765.79

[873]

ITEM NO. 16

BAD DEBTS		
Calif. Air Const. Co.	$53,661.08	
Grosbeck, Dan	200.00	
Moffard, Maggie	5.00	
Elmer, Wm.	100.00	
Marc, Agnes	50.00	
Murray, Jas.	521.92	
McIvar, Louise	35.00	
Russel, Harry	200.00	
TOTAL BAD DEBTS		$54,773.00

[874]

ITEM NO. 17

CONTRIBUTIONS		
Motion Picture Organizations		
Academy of M. P. Arts & Science	60.00	
Motion Picture Relief Fund	1,530.00	
National Vaudeville Assn.	1,000.00	$2,590.00
Charitable Assns.		
Community Chest		3,125.00
Hospitals		
Al Malaikah Temple—Hospital	12.00	
Children's Hospital	100.00	
Duarte Sanitarium	50.00	
L. A. County Tuber. Hospital	2.00	164.00

Schools			
Downing-Shofner Institute	125.00		
Immaculate Heart College	100.00		
Loyola University—Arts Bldg.	1,000.00		
Mooseheart School for Boys	25.00	1,250.00	
Churches			
St. Paul's Presbyterian Church		100.00	
Xmas Funds			
Al Malaikha Temple	5.00		
Beach Club	2.50		
Breakfast Club	10.00		
Cynthia Gray	10.00		
Hollywood Athletic Club	5.00		
L. A. Examiner	10.00		
Masquers Club	5.00		
Tuna Club (Xmas baskets)	100.00	147.50	
Municipal			
Army and Navy Assn.	2.00		
Calif. Conservationists	100.00		
Calif. Motor Officers	100.00		
Culver City Police	19.00		
Fish & Game Protection	50.00		
Inter-America Foundation	100.00		
Metro. Bridle Paths	100.00		
National Society of Audubon	5.00		
Pacoima Chamber of Commerce	25.00		
Reserve Officers Assn.	53.50		
Save the Trees	1.00		
Save Old "Ironsides"	15.00		
Veterans of Sawtelle	10.00	580.50	
TOTAL CONTRIBUTIONS			$7,957.00

SCHEDULE D

STOCKS HELD OVER TWO YEARS

Stock	Bought	Sold	
Bank of America	4/20/1928	7/16/1930	($1,343.98)
Pathe Exchange	4/24/1925	6/23/1930	2,186.01
Bonds			
L. A. School Dist.	2/11/1926	5/22/1930	(15.24)
Midi Ry. of France	2/11/1926	12/30/1930	224.03
San Fran. City Hall	2/11/1926	5/22/1930	(31.20)
Whittier School	2/11/1926	5/22/1930	(32.80)
NET CAPITAL GAIN ON HOLDINGS OVER TWO YEARS			$986.82

[876]

PETITIONER'S EXHIBIT 9.

[Endorsed]: Admitted in evidence Dec. 14, 1933.

THIS AGREEMENT made this 13th day of February, 1925, by and between

CINEMA CORPORATION OF AMERICA, a Delaware corporation with an office at 469 Fifth Avenue, New York City, (herein sometimes called the "Parent Corporation") and

CECIL B. DE MILLE PICTURES CORPORATION, a corporation organized under the laws of the State of Delaware (herein sometimes called "The Subsidiary", said two corporations being the parties of the first part and herein sometimes referred to as the "Companies", and each of said Companies having an office at 469 Fifth Avenue, New York City; and

CECIL B. DE MILLE PRODUCTIONS, INC., a corporation organized and existing under and by

virtue of the laws of the State of California and having an office at Los Angeles, California, and

CECIL B. DE MILLE, a resident of the City of Los Angeles, State of California (herein referred to as "Producer").

WITNESSETH:

WHEREAS, the Parent Corporation is engaged, among other things in the production, distribution and exhibition of motion pictures; and

WHEREAS, the Subsidiary Corporation is the owner of Studios in Culver City, California, used for the pro- [877] duction of motion pictures, which said studios are known and called "The Ince Studios", and the legal description of the real property composing the property of said studios is as follows:

Lots, 1, 2, 3, 4, 5, and 6, inclusive of Tract 2530 of Culver City, County of Los Angeles, State of California as per map thereof recorded in Book 35, page 10 of Maps in the office of the County Recorder of said Los Angeles County. Said property including approximately twelve and six-tenths (12.6) acres, and known as "The Ince Studios"; and

WHEREAS, all of the capital stock of said Subsidiary Corporation is owned by the Parent Corporation, and

WHEREAS, the Producer is and has been for several years last past engaged in the direction of the production of motion pictures, and

WHEREAS, the Parent Corporation contemplates the production of certain motion pictures and is desirous of securing the services of Producer in the making and production thereof, and

WHEREAS, a contract is now in existence between the Producer and the said Cecil B. deMille Productions, Inc. under and by virtue of which the Producer is required and obligated to perform his services for the said Cecil B. deMille Productions, Inc., and

WHEREAS, as a part of this transaction the said Cecil B. deMille Productions, Inc. has agreed to release and relinquish its rights to the services of the Producer in consideration of the payment of moneys and the performance of the other obligations herein set forth; [878]

NOW, THEREFORE, it is agreed as follows, the parties agree that the personal direction of a production by Cecil B. deMille and personal supervision of a production by Cecil B. deMille shall be defined as follows:

(a) Personal Direction, or a Personally Directed Production, or The Personal Direction of Cecil B. deMille, shall mean that Mr. deMille shall select the story, approve the continuity, approve the cast, supervise the photography, supervise cutting and titling and be in complete charge of the entire production of each such picture and do and perform such other acts generally and customarily performed by a director personally directing a motion picture.

(b) Supervision of a Production by Cecil B. deMille, a Supervised Production, or a Production Personally Supervised by Cecil B. deMille, shall mean that Mr. deMille shall approve the story and the treatment thereof; that he shall approve the cast thereof, select the director and approve the photoplay when completed and do and perform such other acts as are generally and customarily done and performed in supervising the production of motion pictures.

The Companies agree to produce at said studios of the companies at Culver City, California, not less than two nor more than four motion pictures during each year of the term of this agreement, which shall be personally directed by the Producer, and the Producer agrees to [879] personally direct the same, and in addition thereto, the Companies agree to produce at the said studios, during the first year of this agreement not less than eight nor more than ten additional motion pictures, and the Producer agrees to supervise the production of the same, and during the second year of this agreement, not less than eight nor more than sixteen motion picturs, the production of which shall be supervised by the Producer, and during the third year of this agreement, not less than eight nor more than twenty-two motion pictures, the production of which shall be supervised by the Producer, and during the fourth, and fifth years respectively of this agree-

ment, not less than eight nor more than fifty, motion pictures, the production of which shall be supervised by the Producer. The exact number of said productions in excess of the minimum number herein specified shall be mutually agreed upon between the Companies and the Producer from time to time.

The average negative cost of the pictures to be personally directed by the Producer during each year shall not exceed Four hundred thousand Dollars ($400,000.00), nor shall any one of them exceed in negative cost the sum of Four hundred fifty thousand Dollars ($450,000.00), unless the Companies and Producer agree in writing prior to or during the production of any one or more of said motion pictures that the negative cost of any one or more of such pictures shall exceed the sum of Four hundred and Fifty thousand Dollars ($450,000) or that the average negative cost of such pictures may exceed the sum of Four Hundred Thousand Dollars ($400,000). [880]

The average negative cost of the pictures to be supervised by the Producer during each year shall not exceed Two hundred thousand Dollars ($200,000), nor shall the negative cost of any one of said productions exceed the sum of Two hundred and fifty thousand Dollars ($250,000) unless either prior to or during the production of any one or more of said pictures the Companies and Producer shall agree in writing that the negative cost of such picture or pictures shall exceed the said

sum of Two hundred and fifty thousand Dollars ($250,000) or that the average negative cost of such pictures shall exceed the sum of Two hundred thousand Dollars ($200,000).

It is understood and agreed between the Companies and the Producer that the total cost of the above productions to be provided to be started in each year, as above, shall not exceed the following amounts: for the first year, Two million eight hundred thousand Dollars ($2,800,000); for the second year Four million Two hundred thousand Dollars ($4,200,000); for the third year Five million four hundred thousand Dollars ($5,400,000); and for each of the fourth and fifth years the sum of Eleven million Dollars ($11,000,000).

In any and all things wherein an annual period is referred to, during which a certain amount of financing is to be done on account of pictures to be produced during that year, or in connection with a number of pictures to be produced during any one year, the beginning of photographing of such productions within the said period of a year shall be sufficient for the purpose of this agreement.

The Companies agree to furnish and provide with- [881] in the limitations herein set forth, the amount or sums required for the production of each of said motion pictures as and when the same shall be required, and particularly shall furnish and provide the proposed cost of each of said pictures as shown by the budget, so that any and all liabilities and obligations of every kind incurred or required

to be incurred or paid in connection with the production of each of said pictures shall be paid and satisfied as and when the said liabilities and/or obligations mature.

Not less than twenty-four (24) days before the date set for the beginning of photography of any production covered by this agreement, **Producer** shall notify the Parent Corporation in New York City of the date fixed by him for the beginning of photography and shall with such notice deliver a detailed budget of cost of such production in form hereto annexed. The companies shall cause to be deposited to the credit of the Subsidiary Corporation in a special production account in a bank selected by them at Los Angeles, or Culver City, California, within ten (10) days after delivery to the Parent Corporation in New York City of the said budget of cost, the su mof Fifty thousand Dollars ($50,000) for the payment of obligations incurred or to be incurred in the production of picture covered by budget of cost, if such picture be a picture to be personally directed by the Producer and similarly and for a similar purpose, the sum of Twenty-five thousand Dollars ($25,000) if such budget cover a picture to be personally supervised by the Producer. On or before Wednesday of each week thereafter during each week of the [882] progress of each production, Producer shall notify the Parent Corporation in New York City in writing of requirements under the budget of cost for the week following, and the Parent Corporation shall

on Wednesday of such week following advance to the Subsidiary Corporation the amount so required. Such advances shall be continued weekly until the production shall be completed or until the Companies shall have advanced the sum indicated in the budget of cost as the proposed cost of such production; or until the maximum amount to be advanced by the Companies on account of such production shall have been advanced by the Companies or until the Companies shall have advanced the total sums called for hereunder to be advanced by them on account of the productions to be made in the year in which such production is started.

Producer agrees that the money furnished for each respective production shall be used only in paying the cost of such productions, nor shall any portion thereof be used in paying the cost of any other production, or for any other purpose.

It is understood and agreed that certain liabilities and obligations in connection with the pictures to be produced under the terms hereof will be necessarily incurred before the photographing of each of said pictures is actually commenced, and particularly that it will be necessary from time to time to purchase or otherwise acquire the motion picture rights to stories, scenarios and/or other literary compositions upon which the said motion pictures or some of them shall be based, and the companies agree to pay or furnish from time to time such [883] sums of money as shall be necessary in order to satisfy any and all liabilities and/or obligations

so incurred at their maturity, and in connection therewith the companies agree to establish and maintain during the term of this agreement a fund of One hundred thousand dollars ($100,000) which said fund of One hundred thousand dollars ($100,000) shall be used for the purpose of acquiring motion picture rights to the stories, scenarios, continuities or literary compositions above referred to. Not more than said sum of One Hundred thousand Dollars shall be paid out at any one time in the purchase of said material, nor shall any such motion picture rights for any single production be acquired or contracted for at a cost in excess of Fifty thousand Dollars ($50,000), without the consent of the Board of Directors of the Parent Corporation or its Executive Committee; nor shall any contract or obligation be entered into by Producer for the purchase of motion picture rights which shall commit the companies to a total cash outlay at any one time in excess of One hundred thousand Dollars ($100,000); nor shall the total purchase price of any such material on hand at any one time and not definitely assigned to a particular production, as hereinafter in this paragraph stated, exceed the sum of Two hundred thousand Dollars ($200,000), provided that there shall not be included in such limitation the cost of any motion picture rights the payment for which is conditional upon the companies making a production, the production of which is optional with the companies. Any stories or motion picture rights which have been actually

used as the basis for a motion picture production and the cost [884] thereof has been advanced by Motion Picture Capital Corporation shall not be included within any of the above limitations.

It is agreed that Producer shall not contract for the purchase of any motion picture rights a part or all of whose purchase price is payable with or from the gross receipts or net profits of the picture based thereon, i.e., on a royalty basis, without the consent of the Board of Directors or of the Executive Committee of the Parent Corporation.

In addition to the said fund of One hundred thousand Dollars ($100,000) to be provided by the companies, as above set forth, the companies shall provide a fund of Fifty thousand Dollars ($50,000) at the commencement of operations for the purpose of carrying the overhead and general charges incurred at the studios of the companies in the production of motion pictures to be made under the terms hereof. The amount to be maintained in such fund thereafter shall be such amount as shall be from time to time agreed upon. Any and all such general charges shall be apportioned from time to time to the respective pictures produced by the companies and upon their being so apportioned, the amount of such apportionment shall be repaid into the said fund so to be established from the money otherwise provided for the payment of negative cost of each such picture; it being the intent and purpose of the companies and Producer that the said fund shall be maintained as a revolving fund.

The companies agree to maintain and operate continuously during the period of this agreement, said studios at Culver City, California, and formerly known as [885] The Ince Studios, for the purpose of producing, and to produce, thereat, the pictures to be made under the terms hereof, and agree to equip, repair and improve said studios from time to time as such repairs, improvements, and equipment in the judgment of the Producer shall be required, and in connection therewith the companies agree to employ and make available for the production of said pictures the necessary artists, artisans and employees and the necessary material and property of every kind necessary or required in the production of said pictures subject to limitations herein contained.

But no charges for capital expenditures under this paragraph shall be incurred by Producer in excess of Twenty-five thousand Dollars ($25,000) in any one year without the consent of the Board of Directors or the Executive Committee of Parent Corporation.

The companies agree to establish and maintain an organization for the distribution of motion pictures to be produced under the terms hereof throughout the United States, with officers and salesmen in number and ability not less than the organization now maintained for the purpose of distributing motion pictures by the W. W. Hodkinson Corporation and Producers Distributing Corporation and the companies shall distribute and

release for exhibition said motion pictures to be produced under the terms hereof through said organization throughout the United States within not more than three months from the date of completion of each of said motion pictures, and shall hereafter diligently and continuously license the exhibitors of said motion pictures in Theatres in and [886] throughout the United States in a manner best calculated to obtain the greatest possible revenue from the said pictures and each of them consistent with the best business practices.

In addition thereto the companies shall sell, lease, or otherwise dispose of the right to exhibit said motion pictures throughout the remainder of the entire world in such manner and on such terms as will secure from the said motion picture rights the greatest possible revenue, consistent with the best business practices. In the Production of each of said motion pictures there shall be made two negatives of each of said motion pictures and a different sample print from each of said negatives. The Companies shall furnish for use throughout the United States such a number of positive prints of the negative made for use in the United States as shall obtain the greatest possible revenue from the exhibition rights to each such picture.

The Producer shall be the Executive Head of the business and affairs of the Companies in California, subject in such executive position to the President and Board of Directors of the Parent Corporation, and he shall have complete and final authority in all

matters pertaining to the pictures to be produced hereunder and to all other pictures which the Companies or either of them may make at any time during the term hereof; it being understood that the Companies shall not engage either directly or through any other person or corporation in the production of motion pictures other than the production of those herein provided to be made under the Producer. Nothing herein contained however shall be construed to [887] abridge the rights and power of the Board of Directors or any officer or officers acting under the power of such Board of Directors, or the executive committee thereof, to contract or arrange for the production by independent or other producers of pictures to be distributed through the Parent Corporation or any other Subsidiary Corporation or corporations of the Parent Corporation whether such productions be financed in whole or in part by the Companies or either of them.

There shall be no person or officer of said Companies of equal or superior authority to the Producer in California, other than the President of the Parent Corporation, and no equal or superior officer or authority to that of Producer in any matters pertaining to the production of motion pictures hereunder, including the selection of stories or other literary compositions upon which the same shall be based wherever the same may be considered decided or carried out, and any and all decisions by the Producer in all matters of production shall be com-

plied with and carried out by the corporations subject to the number of productions, the cost thereof and the cost of motion picture rights therefor as herein set forth.

The Producer shall personally direct not less than two nor more than four motion pictures during each year of the term of this agreement at a cost in accordance with the conditions hereinbefore set forth, and shall supervise during the term of this agreement the pictures, the production of which it is hereinbefore provided shall be supervised by the Producer.

It is agreed that title to each production to [888] be made hereunder shall, at all times vest and remain in the Parent Corporation and that such title shall be free, clear and unencumbered at all times except by action taken under authority of the Board of Directors of the Parent Corporation.

The Producer shall not be required to render or perform any of the services required of him under the terms of this agreement elsewhere than in and about Culver City, California, and Los Angeles, California, with his headquarters at all times at said studios of the Company at Culver City, except in such instances as he shall be required to render or perform said services elsewhere on account of location in other places which are necessary for the artistic production of said pictures.

The Producer shall select the stories, compositions, or other literary material required from time to time, and plan the pictures to be made by the

Companies hereunder during each picture year, and secure by purchase, contract or otherwise said material and the necessary organization and articles for the production of the pictures herein provided for; all contracts for any of the above to be made in the name of the Parent Corporation or Subsidiary Corporation as the Parent Corporation shall from time to time determine. The Companies shall at all times furnish the funds necessary to satisfy the liabilities and/or obligations incurred in so doing, as and when the same shall be required, and shall pay and satisfy the said obligations and liabilities as they mature within the limitations herein. [889]

The Producer shall produce the pictures covered by this agreement within the costs herein fixed unless it shall be mutually agreed between the Producer and the Companies in writing that such costs shall be exceeded. Producer shall furnish to the Parent Corporation at its office in New York City, on or before December 1st in each year, beginning with the year 1925 a statement showing the number of productions to be personally directed and the number of productions to be personally supervised by him in the twelve (12) months beginning March 9th, in each year of the term hereof (except for the year beginning March 9, 1925 to and including March 8, 1926, in which it is understood twelve (12) productions shall be produced). He shall prepare a detailed budget of costs of each production in form hereto annexed as "Exhibit A" and submit the same in writing to the Parent Corporation not less

than twenty-four (24) days before the beginning of photography of any productions together with a statement as to the date upon which he proposes to begin photography of such production.

In so far as he is able he shall arrange insurance as required under contract with Motion Picture Capital Corporation when requested by the Parent Corporation; such insurance to be paid for by the Companies as a part of the production cost of each production to be financed by Motion Picture Capital Corporation under agreement of even date herewith.

He shall diligently prosecute the production of each production so supervised or personally directed by him and complete two negatives and sample prints of each of said productions and deliver same or first order of [890] prints thereof to the Parent Corporation by delivery to American Railway Express Company at Culver City, California, within four (4) months after the first advance made by Motion Picture Capital Corporation on account of such production, except as to the first two (2) productions to be made by the Producer which said first two (2) productions shall be completed not less than six (6) months after the date of the first advance made by Motion Picture Capital Corporation on account of the same. Producer agrees to produce each of such productions within the Budget of Cost of same and within the limitations of cost herein set forth.

The Companies shall pay to the Producer the sum of Two Thousand Dollars ($2,000.) per week each and every week during the term hereof beginning the 1st day of February 1925.

The said Cecil B. deMille Productions, Inc. does hereby sell, assign, transfer and set over, and relinquish and quit-claim unto the Parent Corporation and the Subsidiary Corporation any and all right, title, claim and interest of any and every kind, and nature, which it now has, upon and for the services of Producer as a Director and/or Producer of Motion pictures under the terms of the contract of employment now existing between the said Cecil B. deMille Productions, Inc., and the said Producer, and upon the further express condition and agreement that in the event that this agreement as between the said parent and subsidiary corporation on the one part and the said Producer on the other part is terminated at any time within the period of five years from the date hereof, that the services of said Producer as director and producer of motion pictures shall thereupon revert to the said Cecil B. deMille Productions, Inc., and that the said Cecil B. deMille Productions, Inc. [891] shall thereupon have the right to the said services of the said Producer from the date of such termination of this agreement and for a period equal to the unexpired term of the contract now in existence between the said Producer and the said Cecil B. deMille Productions, Inc., and the said Producer does hereby agree in the event of such termination of this con-

tract to so render and perform his services as a director and producer of motion pictures for the said Cecil B. deMille Productions, Inc., for such period of time, and upon and in accordance with all of the terms and conditions of said contract now in existence between the said Producer and the said Cecil B. deMille Productions, Inc.

In consideration of the release and transfer and assignments and of the agreements herein set forth by the said Cecil B. deMille Productions, Inc., the said Parent and Subsidiary Corporations do hereby agree to pay to the said Cecil B. deMille Productions, Inc., the sum of forty-five hundred dollars ($4500) per week each and every week beginning March 9, 1925, during and throughout the continuation of this agreement, and any extension or renewal thereof, and until the termination thereof, and during the period that the said Producer is engaged in rendering or performing any service for the Companies or either of them.

During each and every week that the said Producer is not engaged in directing a motion picture to be personally directed by him the sum of forty-five hundred dollars ($4500) so paid to the said Cecil B. deMille Productions, Inc., during each such week shall be charged against any dividends which may hereafter be declared upon 100,000 shares of the common capital stock of the Parent Corporation, which said 100,000 shares of said common capital stock [892] of said corporation shall be presently issued to the said Cecil B. deMille Pro-

ductions, Inc., and there shall be no obligation to repay the amount of forty-five hundred dollars ($4500) per week so paid during the period that the said Producer is not personally engaged in the direction of one of said motion pictures except from the dividends so declared; and the said Cecil B. deMille Productions, Inc., does hereby assign the said dividends which may be declared upon said 100,000 shares of the common capital stock of said Parent Corporation to the said Parent Corporation if, as, and when the same are declared until there has been repaid to the said Parent Corporation a sum of money equal to the amount of said payments at such time unrecouped, and the Companies shall and are hereby authorized to withhold and deduct such dividends and apply the same to the repayment of said advances.

In the event, however, that the said Cecil B. deMille Productions, Inc., is not the owner of all of the said 100,000 shares of common capital stock of the said Parent Corporation at the time of the declaration of a dividend thereon, and during the time that such payments have not been recouped, or if at such time the said dividends or any part thereof, are not paid to the said Parent Corporation, then, nevertheless Cecil B. deMille Productions, Inc., and the Producer shall jointly and severally, and do hereby jointly and severally agree to pay to the Companies in cash the difference between the amount of dividends declared and paid on said 100,000 shares of the common capital stock of said

Parent Corporation and the amount of said dividend upon the said shares actually paid to the said Parent Corporation upon said payments; it being expressly understood and agreed that the said Cecil B. de [893] Mille Productions, Inc., shall not be required to retain the ownership of said shares of said common capital stock, but in lieu thereof, said Cecil B. deMille (the Producer), individually, and Cecil B. deMille Productions, Inc., hereby guarantee that there shall be paid to the Parent Corporation, an amount equal to the dividends declared upon said 100,000 shares of common capital stock either from the said dividends or otherwise, as and when said dividends are declared until the said Parent Corporation has recouped from such dividends or such payments the amount of said payments made at the rate of forty-five hundred dollars ($4500) per week during the weeks that the said Producer is not engaged in personally directing the pictures required to be personally directed by him under the terms hereof.

There shall be no obligation on the part of any one to repay, and the Companies shall not, nor shall either of them be entilted to recoup the payments of forty-five hundred dollars ($4500.) per week made to the said Cecil B. deMille Productions, Inc., during the weeks and time that said Producer is engaged in directing the pictures required to be personally directed by him under the terms hereof.

It is understood that the time required of Producer in personally directing any of such produc-

tions shall be deemed to be a period extending from a date two weeks prior to the actual commencement of photographing of any production so personally directed, and continuing throughout the actual photographing of same, and for a period of four weeks after the photographing thereof is completed.

The Producer agrees that during the continuance of this agreement he will devote his entire time and at- [894] tention to the performance of the duties required of him hereunder, except such time as shall be required in connection with his own private investments.

The Producer agrees that he will not during the continuation of this agreement devote any of his time or attention, or render any services in the production, distribution or direction of motion pictures for himself or for any other person, firm or corporation than the Companies as herein expressly provided.

The Producer further agrees that he will not use or permit his name to be used in connection with any motion picture or motion picture enterprise except those covered by this agreement during the continuation of this agreement, except such uses thereof as are required in connection with pictures heretofore made.

The Producer represents to the Companies and the Companies agree that his services as director, supervisor and/or producer of motion pictures which he has agreed and promised to perform here-

under are of a special, unique, unusual, extraordinary, or intellectual character which have and give a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law, and in the event that Producer during the continuation of this agreement should perform or render or attempt or threaten to perform or render for himself or any other person, firm or corporation any service herein agreed to be rendered or performed for the Companies than an injunction may be granted and issued against his so doing by such Court as may have jurisdiction to render the same.

In the event that Producer shall fail to produce the number of productions herein provided for during each [895] year as such number of productions is finally determined hereunder, or shall fail to produce same within the maximum amount herein provided as the maximum negative cost of such productions for any such year, which maximum cost shall, after the first year, be determined by multiplying the number of personally directed productions produced during any such year by the sum of Four hundred thousand dollars ($400,000) and multiplying the number of supervised productions produced hereunder during any such year by Two hundred thousand Dollars ($200,000) and adding the result, unless such maximum cost shall have been increased by written agreement between the Parent Corporation and the Producer, or in the event that

Motion Picture Capital Corporation shall terminate its agreement of even date herewith under which it has agreed to make certain advances on account of the production cost of the productions covered by this agreement and such default shall have been caused by any act of Producer contrary to the terms hereof or by any neglect or failure to perform any covenants or conditions to be performed hereunder by Producer; then, and in any of such events, the Companies may at their option terminate this agreement upon thirty days notice in writing delivered or mailed to the Producer. Unless such option shall be exercised within thirty days after the end of the year in which said defaults are alleged to have occurred, said option shall be deemed to have been waived.

In the event of the termination of this agreement by the lapse of time or otherwise then the Companies shall have and are hereby granted the right and option at their election to purchase from the Producer the shares of common capital stock of the Companies and each of them at such time owned by the Producer at and for such a price [896] or sum as shall be fixed by a board of three appraisers, to be appointed and act as hereinafter provided.

In the event that the Companies fail or refuse to produce the pictures hereinbefore described and to be produced by the Companies or shall fail to advance or furnish the funds or moneys necessary to pay and satisfy any and all obligations and/or

liabilities incurred in producing said pictures as herein limited, and to actually pay the same as and when the said obligations or liabilities mature, or shall fail to pay to the Producer as and at the times herein provided for, the compensation herein agreed to be paid to the Producer, or shall fail to pay to the Cecil B. deMille Productions, Inc., the weekly payments of Four thousand five hundred dollars ($4500.) herein provided for, or in the event that Motion Picture Capital Corporation shall cancel its contract of even date herewith under which it has agreed to make certain advances to the Companies for the production of pictures covered by this agreement, unless such termination shall be caused by any act of Producer, and unless the financing for the pictures covered by this agreement shall be arranged by the Companies on terms at least as favorable as those provided under said contract of Motion Picture Capital Corporation, then, the Producer in the event of the happening of any one or more than one of the said events shall have the right at his option to terminate this agreement, provided, however, that before the option shall become effective, or the agreement terminated, the Producer shall notify the Parent Corporation in writing either in person or by mail or telegraph of the alleged breach or default, and the Companies shall have thirty (30) days from the date of receipt of such notice within which to cure the alleged default if any exists, except as to the payment of money

[897] agreed to be paid or advanced to the Producer or to the Cecil B. deMille Productions, Inc., and the Companies shall have only seven (7) days from the date of receipt of such notice within which to pay or advance said money in order to cure such alleged latter default. In the event of the failure of the companies to cure or correct any such alleged default before the expiration of the respective times herein provided, then if the Producer so notifies the Companies this agreement shall immediately upon the expiration of the time above limited for such respective alleged defaults and the service of said notice be thereby terminated and of no further force or effect, except to determine the rights of the parties as to matters which have theretofore transpired, and the Producer shall be released from any further obligations hereunder. Unless such option shall be exercised within thirty days after the date on which said defaults are alleged to have occurred, said option shall be deemed to have been waived.

The rights herein provided for or reserved to each of the parties hereto shall be in addition to and not in lieu or in limitation of any other right which such parties may have for the breach of any of the terms of this agreement.

In the event of the termination of this agreement by a lapse of time or otherwise, or by reason of the exercise of the option to terminate by Producer the Producer shall have and is hereby granted in that event the right and option at his election to pur-

chase the said studios at Culver City, hereinbefore described, together with all of the equipment and properties thereof and including the improvements thereon, and any and all [898] paraphernalia, costumes, sets and instruments and articles of any and every kind and nature used in connection with any of the motion pictures, and in addition thereto all stories and other literary compositions at such time owned by the Companies, and the services and contracts for the services of any and all actors, actresses, directors, artists, artisans employed by the Subsidiary Company, and there shall be included and made a part of each and every contract of employment of any and all such actors, actresses, directors, artists, artisans, the provision that their services shall be rendered and performed for the employer named in said agreement or for Producer or such corporation as he may then have or thereafter organize and to contain a further provision that in the event of the termination of the agreement dated February 13, 1925 between Cecil B. deMille and the Cinema Corporation of America and that Cecil B. deMille or any of his Companies shall become entitled to the services of such artists that thereafter the Cinema Corporation or Cecil B. deMille Pictures Corporation shall be relieved of any further liability upon such contract.

The election to exercise said option to purchase shall be made and served upon the Companies within thirty (30) days after the date of termination of said agreement, and shall be served in writ-

ing either by mail, telegraph, or by delivery of such written notice personally to the corporation or any of its officers.

The price to be paid for the purchase of properties and rights purchased under said option by Producer shall be arrived at by a board to be appointed and act as hereinafter provided. The appraisers so appointed shall fix the actual value over and above the encumbrances [899] thereon which said encumbrances the purchaser shall assume and agree to pay at the time of making of said appraisement of said properties and shall fix the said appraisement of said properties and shall fix the land value of real estate composing the same separate and apart from the buildings and improvements thereon and the other properties included within said option. They shall then deduct from the land value of the said real estate so fixed the present land value of said real estate which it is hereby agreed is the sum of Two Hundred Fifty Thousand Dollars ($250,000) and the price at which the land value of the real estate exclusive of buildings and improvements shall then be included in arriving at the price to be paid for all of the said property by the Producer shall be the appraised land value at the time of exercise of said option if such appraised land value shall be less than $250,000, and if such appraised land value shall be more than $250,000, then the price at which the land value of said real estate shall be included shall be the said present land value of the said real estate (which is the sum of $250,000) plus one-half

of the difference between the said present land value and the appraised land value at the time of the exercise of said option, plus interest at the rate of 6% per annum upon all sums due to the Parent Corporation upon such appraisal from date of termination of contract to date of payment, plus all costs from date of termination of Parent Corporation or Subsidiary Corporation in maintenance of said studio and for salaries and expenses of all employees therein and the salaries of all artists or other persons whose contracts are purchased under said option by Producer. [900]

The Producer shall have the right to the possession and use of the said studios, and of the services of the persons hereinbefore described and of all of the other matters or things included within the terms of said option from the date of the termination of the said agreement; subject, however, to the payment of said interest, costs and salaries aforesaid.

There shall be credited upon the purchase price so fixed by said appraisers for said properties the face or par value of any and all preferred stock of the said Parent Corporation issued to the Producer upon the organization of the Parent and Subsidiary Companies, which said preferred stock shall be delivered up to said Parent Corporation contemporaneously with the transfer of title of said properties and the remainder of the purchase price so fixed shall be paid by the Producer in cash within thirty (30) days after the appraisal fixing the value of such assets.

In the event that the Parent or Subsidiary Company is unable either for legal reasons or otherwise to acquire the said preferred stock or to take the same as part payment for the property so purchased then nevertheless the purchase price to be paid for the properties above described and included within the said option shall be the difference between the appraised value of the said properties and the par value of the said preferred stock, provided, further, however, that in such event the said preferred stock shall be delivered up to the Companies nevertheless for cancellation.

In the event that either of the parties fails or refuses to name an appraiser to be appointed by such party within ten days from the date of exercise of said option then the appraiser appointed by the remaining party [901] shall be authorized to fix the valuations hereinbefore provided for and the valuations so fixed shall be binding upon the parties hereto.

The appraisers to be appointed in each instance under the terms of this agreement must be appointed by the party entitled to so appoint such appraisers within ten days from the receipt of notice by the opposing party demanding the appointment of such appraisers, and in the event of the failure of the other party to make such appointment, it shall be considered that he has refused so to do, and the one appointed shall have authority to act as above and the decision shall be binding upon the parties hereto. The two appraisers ap-

pointed shall select the third appraiser within ten days from demand by either appraiser to the other for the appointment of such third appraiser, and in the event that said third appraiser has not been agreed upon within said ten days, then said third appraiser shall be appointed as follows. In the event of the inability of the two appraisers appointed by the respective parties to agree upon the third appraiser for the purpose of determining the value of the properties in California, said third appraiser shall be appointed by the President of the Bank of Italy of California. The appraiser for the purpose of fixing a valuation on the stock of the Corporation shall be appointed by the President of the Central Union Trust Company of New York.

The term of this agreement shall be for a period of five (5) years from the date hereof.

If upon the expiration of the period of five (5) years herein fixed as the term of this agreement either the Companies or the Producer is desirous of renewing this contract for an additional period of three (3) years [902] upon all the same terms and conditions herein contained and set forth, and the other party refuses to so renew or extend this agreement upon all the said terms and conditions, then the party so refusing to so renew or extend this agreement shall not have the right or option to purchase the stock or properties which they or he would otherwise have the right to purchase in the event of the termination of this agreement.

The Producer hereby consents to the use of the name Cecil B. deMille as part of the name of the Subsidiary Corporation with the following reservations and upon the express conditions however, that the use of said name shall continue only so long as this agreement continues in force and the said Cecil B. deMille continues in the employment of the said Companies and no longer; and that in the event of the termination of this agreement for any reason whatsoever or of the cessation or of the employment of said Cecil B. deMille by the said Companies under the terms hereof, that the name of the said Subsidiary Corporation shall be changed and the name Cecil B. deMille shall be eliminated as a part thereof, and that the changing of said name shall be done immediately upon the cessation of said services or the termination of this agreement; and the Companies and each of them do agree that in the event of the termination of this agreement or the cessation of said services that they will not, nor either of them, have any right whatsoever to any further use of said name.

In the event that the Producer is engaged in directing a motion picture at the time of the termination of this agreement for any reason he shall nevertheless continue his services until the said picture is completed, [903] and shall be paid for services so rendered the same compensation being paid him immediately prior to the termination of this agreement.

The name of the Producer shall be included in any and all paid publicity and advertising issued

by the Companies in connection with each and every of the pictures personally directed and/or supervised by the Producer, and the name of the Producer shall be in type of equal size with any other type used therein. The production shall be advertised and publicised in connection with all productions which he personally directs in a similar manner to the advertising of "Manslaughter" directed by him for Famous Players-Lasky Corporation.

Each and every picture either personally directed or supervised by the Producer shall be released to Exhibitors and shown in the manner in which the same is completed, either by or under the supervision of the Producer, without any changes, cuts, interpolations, additions to or subtractions therefrom of any kind except such as shall be ordered by any recognized board of censorship and shall contain such announcements with reference to the Producer and in connection therewith as he shall from time to time deem advisable, but each of siad productions shall contain the announcement if the Companies so desire that the same is produced by the Parent Corporation, which said announcement shall be given equal prominence to that of any other announcement forming a part of said production.

The Producer shall be entitled to such reasonable vacation periods as he shall deem advisable consistent with his duties hereunder. [904]

It is agreed that this contract is not made for the benefit of said Cecil B. deMille Productions, Inc.

and it has no rights therein, except rights to receive the sums of money herein provided for, for so long a time as this contract is in full force and effect between the Producer and the Companies, and upon the termination hereof, to receive again the services of said Cecil B. deMille.

It is further understood and agreed that said Cecil B. deMille Productions, Inc. shall have no right or authority to interfere in any way with the continuation of this agreement (by mutual consent between Producer and the Companies) for any period or periods beyond the term of five (5) years herein set forth.

IN WITNESS WHEREOF, the parties of the first part and Cecil B. deMille Productions, Inc. have caused these presents to be signed by their officers thereunto duly authorized and their corporate seals to be hereto affixed and Cecil B. deMille has hereunto set his hand and seal the day and year first above written.

CINEMA CORPORATION OF AMERICA

By (Signed) F. C. MUNROE

CECIL B. DE MILLE PICTURES CORPORATION

In Presence of By (Signed) D. A. RICHARDS

..... Pres. as of 2-13-25

..... CECIL B. DE MILLE PRODUCTIONS, INC.

By (Signed) CECIL B. deMILLE

(Signed) CECIL B. deMILLE

[905]

Copy

Production Budget and Cost Statement

Title .....
Director .....
Star .....
Production number .....
Maximum cost .....

Producer .....
Date of first Charge .....
Date actual shooting commenced .....
Date actual shooting finished .....
Date production completed .....
Date of statement .....

Department	Account No.		This week	To date	Estimated Final cost	Balance
Scenario		Story				
		Continuity				
		Research				
		Miscel.				
		Total for Dept.				
Direction		Director				
		Asst. Director				
		Total for Dept.				

Production Budget and Cost Statement—(Continued)

Department	No.	This week	To date	Estimated Final cost	Balance
Cast	Star				
	Leading Man				
	Leading Woman				
	Extra talent				
	Animals				
	Total for Dept.				
Camera	Cameraman				
	Camera rentals				
	Miscel.				
	Total for Dept.				
Wardrobe	Purchases				
	Rentals				
	Salaries				
	Miscel.				
	Total for Dept.				
Locations	Transportations				
	Rentals				
	Hotels and meals				
	Miscel.				
	Total for Dept.				

Production Budget and Cost Statement—(Continued)

Department	Account No.		This week	To date	Estimated Final cost	Balance
Properties		Purchased				
		Rentals				
		Total for Dept.				
Sets & Scenery		Labor				
		Materials				
		Miscel.				
		Total for Dept.				
Electrical		Electricians				
		Supplies				
		Rentals				
		Miscel.				
		Total for Dept.				
Laboratory		Negative film (feet)				
		Developing				
		Positive film				
		Sample print labor				
		Miscel.				
		Total for Dept.				

Production Budget and Cost Statement—(Continued)

Department	Account No.		This week	To date	Date of Statement Estimated Final cost	Balance
Stills		Material				
		Labor				
		Miscel.				
		Total for Dept.				
Titles		Material				
		Labor				
		Miscel.				
		Total for Dept.				
Projection		Materials				
		Salaries				
		Total for Dept.				
Publicity						
General		Studio rent				
		Electricity				
		Insurance				
Miscl. items		List:				
		Total Miscel.				
		Total Direct Charges				

Production Budget and Cost Statement—(Continued)

Date of Statement

Department	Account No.	This week	To date	Estimated Final cost	Balance
Indirect Chgs.					
Overhead:	Executive				
	Supervision				
	Accounting				
	Depreciation				
	Insurance				
	Taxes				
	Total Cost				
No. of scenes					

Certification by Producer

We hereby certify

The above is a true statement of the cost of the production, entitled..... as shown by our books.

.....

By: .....

Officer.

Dated .....

[907]

PETITIONER'S EXHIBIT NO. 10

[Endorsed]: Admitted in Evidence Dec. 14, 1933.

EXHIBIT H

DE MILLE CONTRACT

THIS AGREEMENT made and entered into this 11th day of April, 1927, between

PATHE EXCHANGE, INC., a New York corporation, herein called "Pathe" and also included in the expression "Companies".

CECIL B. DEMILLE PICTURES CORPORATION, a Delaware corporation, herein called "Pictures Company", and also included in the expression "Companies",

CECIL B. DEMILLE PRODUCTIONS, INC., a California corporation, herein called "Production Company", and

CECIL B. DEMILLE, herein referred to as "DeMille",

WITNESSETH:

That in consideration of the mutual promises herein contained and other valuable consideration by each of the parties to the other paid, receipt whereof is hereby acknowledged, it is agreed as follows:

FIRST: The Companies agree to produce at their studios at Culver City, California, not less than one (1) nor more than (3) motion pictures during each year of the term of this agreement,

which shall be personally directed by deMille, and deMille agrees to personally direct the same, and in addition thereto, the Companies agree to produce at the said studios during each year of the term of this agreement not less than fifteen (15) nor more than forty (40) additional motion pictures which shall be produced under the supervision of deMille, and deMille agrees to supervise the same. The exact number of said productions in excess of the minimum number herein specified shall be mutually agreed upon between the Companies and deMille at or before [908] the beginning of the year during which they are to be produced.

The pictures to be personally directed by deMille during each year of the term of this agreement shall be budgeted at or shall cost approximately Four Hundred and Fifty Thousand ($450,000) Dollars each, and the remaining productions, which they are to be produced.

The pictures to be personally directed by deMille during each year of the term of this agreement shall be budgeted at or shall cost approximately Four Hundred and Fifty Thousand ($450,000) Dollars each, and the remaining productions, which are to be supervised by deMille, whatever their number may be, shall cost not less than Three Million ($3,000,000) Dollars during each year and so much more or no more than Three Million ($3,000,000) Dollars as Pathe may determine.

The Companies and deMille so far as it is within their respective powers and control each agrees to endeavor conscientiously and diligently to produce said motion pictures and each of them within the budgeted cost and as economically as possible.

The obligations under this Article First shall be subject to fire, strike, epidemic, acts of God, acts of enemy, and similar unforeseen events.

SECOND: The Companies agree to maintain and operate continuously during and throughout the period of this agreement, the said studios at Culver City, California, for the purpose of producing at said studios the pictures herein provided for, subject to strikes, fire and other happenings beyond their control and agree to produce said pictures at said studios; and do further agree to equip, repair and improve said studios from time to time as shall be necessary and to employ and have available for the production of said motion pictures the necessary [909] artists, artisans and employees, and the necessary stories, material and property of every kind required in the production of said motion pictures, and do further agree to provide the necessary funds for, and to pay when due any and all costs, charges and expenditures of any and every kind or nature made or incurred by said Companies in connection with the maintenance, conduct and operation of said studios, as aforesaid.

It is understood and agreed that any portions of the studios owned by the Pictures Company not at

the time being used by the Pictures Company or by deMille hereunder with the consent of deMille may be used for the production of motion pictures by Pathe, or any subsidiary company of Pathe, other than the Pictures Company, on such terms as may be agreed on between Pathe and the Pictures Company. Any such motion pictures shall not be deemed to be made by the Pictures Company or under this agreement.

THIRD: The Companies agree to establish and maintain a proper organization for the distribution of motion pictures to be produced under the terms hereof throughout the United States, and agree to distribute and release the same for exhibition through said organization at such times and in such manner as may be best calculated to obtain the greatest possible revenue from the said pictures consistent with the best business practices.

FOURTH: The Companies shall also use their best efforts and endeavors to sell, lease or otherwise dispose of the right to exhibit said motion pictures throughout the remainder of the entire world in such manner and on such terms as will secure from the said motion picture rights the greatest possible revenue, consistent with the best business practices. [910]

FIFTH: In the production of each of said motion pictures there shall be made two (2) negatives of each of said motion pictures and a different sample print from each of said negatives. The Com-

panies shall furnish for use throughout the United States such number of positive prints of the negative made for use in the United States as shall obtain the greatest possible revenue from the exhibition rights to each such picture.

SIXTH: deMille shall be the executive head and have final and complete authority in and supervision of all matters pertaining to the production of the motion pictures to be made hereunder as above provided and of all other motion pictures which the Pictures Company may make during the term hereof, subject to the Board of Directors; and he shall also be the advisory head of any business organization which the Companies may at any time establish or maintain in California as distinguished from the production organization.

SEVENTH: There shall be no person or officer of said Companies of equal or superior authority to that of deMille in any matter pertaining to the production of motion pictures hereunder, and any and all decisions by deMille in all matters of such production shall be complied with and carried out by the Companies subject to the limitations placed upon the number of productions and the cost thereof as herein specified; provided, however, that deMille shall not, without express authority of the President or Chairman of the Board of Pathe, make any contract with any actor, actress, director, artist or employee for a period of more than one year, or at a salary in excess of $2,500 per week, or acquire

any story, story rights, scenario or other literary composition.

EIGHTH: Pathe and/or the Pictures Company shall pay to deMille the sum of Two thousand five hundred ($2,500) [911] Dollars per week each and every week during the continuation hereof, beginning when this agreement is actually signed and acknowledged.

NINTH: The Production Company does hereby sell, assign, transfer and set over and relinquish and quit-claim unto the Companies any and all right, title, claim and interest of any and every kind and nature, which it now has, upon and for the services of deMille as a director and/or producer of motion pictures under the terms of the contract of employment heretofore existing between Cecil B. deMille Productions, Inc., and deMille and under the contract dated February 13, 1925, upon the express condition and agreement that in the event this agreement as between the Companies on the one part and the said deMille on the other part, is terminated at any time, the services of deMille as director and producer of motion pictures shall thereupon revert to the said Production Company and that the said Production Company shall thereupon have the right to the said services of deMille from the date of such termination of this agreement, and for a period of five (5) years thereafter, and deMille does hereby agree in the event of such termination of this contract to so render

and perform his services as a director and producer of motion pictures for the said Production Company for such period of time, and upon and in accordance with all of the terms and conditions of said contract heretofore in existence between the said deMille and the said Production Company. In consideration of the release and transfer and assignments and of the agreements herein set forth by the said Production Company and of other valuable considerations, the said Pathe and/or Pictures Company do hereby agree to pay to the said Production Company the sum of Five thousand ($5,000) Dollars per week each and every week beginning at the same time as the payment of the Two thousand five hundred ($2,500) Dollars weekly to deMille as hereinabove provided and continuing [912] during and throughout the continuation of this agreement and any extension or renewal and until the termination thereof; and during the period that deMille is engaged in rendering or performing any service for either Pathe or the Picture Company and in addition thereto the said Pathe and/or the Picture Company do hereby agree to pay to the said Cecil B. deMille Productions, Inc., five per cent. (5%) of the gross earnings and receipts without any deduction either direct or indirect, from any and every source and use whatsoever of each picture personally directed by deMille including the story or motion picture rights on which the picture is based until the remaining ninety-five per cent.

(95%) of said earnings has equaled the negative cost of each such picture, at and after which time there shall be paid to the said Production Company, an additional ten per cent. (10%) of said gross, making a total in all from said time of fifteen per cent. (15%) of said gross, and one and one-fourth per cent. (1¼%) of the gross earnings and receipts without any deductions either direct or indirect, from any and every source and use whatsoever of each supervised picture produced by said Companies, including the story or motion picture rights on which the picture is based until the remaining ninety-eight and three fourths per cent. (98¾%) of said earnings has equaled the negative cost of each such picture, at and after which time there shall be paid to the said Production Company, an additional two and three-fourths per cent. (2¾%) of said gross, making a total in all from said time on said pictures of four per cent. (4%) of the gross earnings thereof. The negative cost referred to in this paragraph shall include the cost of positive prints and a sum for advertising not to exceed 4% of the negative [913] cost of the personally directed pictures, 3% of the negative cost of the Special program pictures, and 2½% of the negative cost of program pictures.

Gross earnings and receipts from any pictures referred to in this paragraph shall mean and include only (1) gross amounts paid by the exhibitors for licenses for the use of prints of such picture, (2)

gross amounts received by Pathe or the Pictures Company in respect of foreign distribution of such pictures, (3) gross receipts from all other sources, if any, as a consideration for the right to exhibit prints of such picture, (4) amounts received by Pathe or the Pictures Company in respect of the story or motion picture rights on which such picture is based, and (5) the net receipts from any exhibition of such picture by Pathe or any wholly owned subsidiary, after deducting only the usual and necessary expenses of any such exhibition, but shall not include payments made by exhibitors or licensees as security deposits until such amounts have been forfeited or actually applied as rentals, nor the proceeds of any sale or rental of advertising posters and other accessories.

TENTH: deMille agrees that during the continuance of this agreement he will devote his entire time and attention to the performance of the duties required of him hereunder, except such time as shall be required in connection with his own private investments and customary rest and vacation periods. He shall be entitled to such reasonable vacation periods as he shall deem advisable, consistent with his duties hereunder.

ELEVENTH: deMille agrees that he will not during the term of this agreement devote any of his time or attention, or render any services in the production, distribution or direction of motion pictures for himself or for any person, firm or corpora-

tion other than Pathe and the Pictures Company as herein provided. [914]

TWELFTH: deMille further agrees that he will not use or permit his name to be used in connection with any motion picture or motion picture enterprise except those covered by this agreement during the term of this agreement, or any extension thereof and except such uses as are required in connection with pictures heretofore made.

THIRTEENTH: deMille represents and the Companies agree that deMille's services as director, supervisor and/or producer of motion pictures which he has agreed and promised to perform hereunder are of a special, unique, unusual, extraordinary and intellectual character which have and give them a peculiar value, the loss of which can not be reasonably or adequately compensated by damages in an action at law, and in the event that deMille during the continuation of this agreement should perform or render or attempt or threaten to perform or render for himself or any other person, firm or corporation any service in any wise pertaining to the production of motion pictures, that then an injunction may be granted and issued against his so doing by such Court as may have jurisdiction to render the same.

FOURTEENTH: In the event that the Companies shall fail or refuse to produce the pictures herein described and to be produced by the said Companies, or shall fail to furnish the funds or

moneys necessary to pay and satisfy any and all obligations and/or liabilities properly incurred in producing said pictures, and to actually pay the same as and when the said obligations or liabilities mature, or shall fail to pay deMille as and at the times herein provided for, the compensation herein agreed to be paid to him, or shall fail to pay to Production Company, the moneys agreed to be paid to it, or if said Companies or either of them shall be adjudicated bankrupt or if a receiver shall be appointed for [915] for them or either of them, then in the event of the happening of any one or more of said events, deMille shall have the right at his option to terminate this agreement, provided, however, that before the option shall become effective, or the agreement terminated, other than in the event of bankruptcy or the appointment of a receiver, deMille shall notify Pathe in writing delivered either in person or by registered mail, of the alleged breach of default, and the Companies shall have thirty (30) days from the date of receipt of such notice within which to cure the alleged default if any exists except as to the payment of money agreed to be paid to deMille or to Production Company, and Companies shall have only fifteen (15) days from the date of receipt of such notice within which to pay said money in order to cure such alleged default. In the event of the failure of the Companies to cure or correct any such alleged default before the expiration of the respective times herein provided, then, if deMille so notifies the Companies, this agreement

shall immediately upon the expiration of the time above limited for such respective alleged defaults and the service of said notice, be thereby terminated and of no further force or effect, except to determine the rights of the parties as to matters which have theretofore transpired.

FIFTEENTH: The rights herein provided for or reserved to each of the parties hereto shall be in addition to and not in lieu or in limitation of any other rights which such parties may have for the breach of any of the terms of this agreement.

SIXTEENTH: In the event that the Companies or either of them terminate this agreement, or in the event of the termination of this agreement by reason of the exercise of the option to terminate by deMille as in Article Fourteenth provided, or by reason of lapse of time, (if Pathe shall not desire to renew [916] or extend the same for an additional term of five years as hereinafter set forth) then, and in any of said events, the Cecil B. deMille Productions, Inc., shall have and is hereby granted the right and option at its election to purchase the said deMille Studios at Culver City, California, described as follows:

TOGETHER with all the equipment and properties thereof and including the improvements thereon, and any and all paraphernalia, costumes, sets, instruments and articles of any and every kind and nature used in connection with any of the motion pictures, subject, as to all the foregoing, to any

liens then existing thereon, and in addition thereto, one-half of all stories and other literary compositions at such time owned by the Companies, which were acquired by or at the suggestion of deMille, or to be used as the basis for motion pictures to be made hereunder, and the services and contracts for the services of one-half the number of all actors, actresses, directors, artists, and all persons employed under written contract by the Picture Company and there shall be included and made a part of each and every contract of employment of any and all such actors, actresses, directors, artists and artisans, the provision that their services shall be rendered and performed for the employer named in said agreement or for deMille or such corporation as he may then have or thereafter organize.

The division of one-half of said stories and other literary compositions and of one-half the number of actors, actresses and other persons employed under written contract, shall be effected as follows:

Pathe shall have the first choice in selecting one story or other literary composition from the complete list thereof which shall be retained by it and the Production Company shall have the next choice of selection of one story or [917] other literary composition to be transferred to it and Pathe shall then have the next choice of story, etc., to be retained by it and so on until the entire list of stories or other literary compositions are equally divided as above provided, Pathe and the Production Company alternating in such selection as above provided. This same

method shall then be applied in the division of the artists, Pathe to have the first selection and the Production Company the second selection and alternating as above provided. Then the same method shall be applied to the Directors and then to each class or division of persons employed under written contract until the spirit and intent of this agreement is carried out; and the Production Company shall only pay for such plays, artists, directors and other persons as are transferred to it by the method above provided. The Production Company shall assume all obligations of Pathe or the Pictures Company under any contract acquired by the Production Company as aforesaid, and agrees to indemnify Pathe and the Pictures Company against any liability thereafter arising thereunder.

SEVENTEENTH: The election to exercise said option to purchase shall be made and served upon the Companies within sixty (60) days after the date of termination of said agreement and the service of notice of termination herein provided for, and shall be served in writing, either by registered mail or by delivery of such written notice personally to Pathe or any of its officers.

EIGHTEENTH: The price to be paid for the purchase of properties and rights purchased under said option by the Production Company shall be arrived at by a board to be appointed and act as hereinafter provided. The appraisers so appointed shall fix the actual value of said properties in excess of the encumbrances thereon, which said encum-

brances [918] the purchaser shall assume and agree to pay at the time of the consummation of the sale of said properties and as a part of said appraisement shall fix the land value of real estate comprising the same separate and apart from the buildings and improvements thereon and the other properties included within said option. The expression "appraised value" as herein used shall mean the appraised value thereof less the amount of encumbrances on same. They shall then deduct from the land value of the said real estate so fixed the present land value of said real estate which it is hereby agreed is the sum of Two Hundred Fifty Thousand ($250,000.00) Dollars and the price at which the land value of the real estate exclusive of buildings and improvements shall be included in arriving at the price to be paid for all of the said property by the Production Company shall be the appraised land value at the time of exercise of said option if such appraised land value shall be less than Two Hundred Fifty Thousand ($250,000.00) Dollars, and if such appraised land value shall be more than Two Hundred Fifty Thousand ($250,000.00) Dollars then the price at which the land value of said real estate shall be included shall be the said present land value of the said real estate, which is the sum of Two Hundred Fifty Thousand ($250,000.00) Dollars, plus one-half of the difference between the said present land value and the appraised land value at the time of the exercise of the said option, plus interest at the rate of six per cent. (6%) per annum

upon all sums due to Pathe upon such appraisal from the date of termination of contract to the date of payment, plus all costs from the date of such termination paid by Pathe or the Pictures Company in maintenance of said studios and for salaries and expenses of all employees therein and the salaries of all artists or other persons whose contracts are purchased [919] under said option by the Production Company. In the event that the Companies fail to make any payments required to so keep and maintain said studios or any of said contracts in full force and effect, the Production Company shall have the right so to do. Any payment made by the Production Company on account of contracts for stories or salaries of individuals which are finally not transferred to the Production Company shall be credited to the Production Company on account of the purchase price. There shall be credited upon the purchase price so fixed by said appraisers for said properties the sum of One Hundred Eighty-Eight Thousand ($188,000.00) Dollars.

The Production Company shall have the right to the possession and use of the said studios, and of the services of the persons hereinbefore described and of all of the other matters or things included within the terms of said option from the date of the termination of the said agreement; subject, however, to the payment of said interest, costs and salaries aforesaid.

In the event that either of the parties fails or refuses to name an appraiser to be appointed by

such party within ten (10) days from the date of exercise of said option, then the appraiser appointed by the remaining party shall be authorized to fix the valuation hereinbefore provided for and the valuation so fixed shall be binding upon the parties hereto.

The appraisers to be appointed in each instance under the terms of this agreement must be appointed by the party entitled to so appoint such appraisers within ten (10) days from the receipt of notice by the opposing party demanding the appointment of such appraisers and in the event of the failure of the other party to make such appointment, it shall be considered that he has refused so to do, and the one appointed shall have authority to act as above and the decision shall be [920] binding upon the parties hereto. The two appraisers, if appointed, shall select the third appraiser within ten (10) days from demand by either appraiser to the other for the appointment of such third appraiser, and in the event that said third appraiser has not been agreed upon within said ten (10) days, then said third appraiser shall be appointed as follows: In the event of the inability of the two appraisers appointed by the respective parties to agree upon the third appraiser, said third appraiser shall be appointed by the then President of the Chamber of Commerce of the City of Los Angeles and shall be a disinterested person of at least three years experience in the motion picture business.

NINETEENTH: The term of this agreement shall be for a period of five (5) years from the date hereof. If upon the expiration of the period of five (5) years herein fixed as the term of this agreement either Pathe or the Pictures Company is desirous of renewing this contract for an additional period of five (5) years upon all the same terms and conditions herein contained and set forth, and deMille and/or the Production Company shall refuse to so renew or extend this agreement, then the Production Company shall not have the right or option to purchase the properties which it would otherwise have as herein set forth.

TWENTIETH: deMille and the Production Company hereby consent to the use of the name Cecil B. deMille as part of the name of the Pictures Company with the following reservations and upon the express conditions, however, that the use of said name as part of the corporate name shall continue only so long as this agreement continues in force and the said Cecil B. deMille continues in the employment of the said Companies and no longer; and that in the event of the termination of this agreement for any reason whatsoever or of the cessation or of the [921] termination of the employment of the said Cecil B. deMille by the said Companies under the terms hereof, the name of the said Pictures Company shall be changed and the name Cecil B. deMille shall be eliminated as a part thereof and that the changing of said name shall be done immediately upon the cessation of said services or the termination of this agreement; and the Companies and each

of them do hereby agree that in the event of the termination of this agreement or the cessation of said services, they will not, nor either of them, have any right whatsoever to any further use of said name, except that the Companies shall have the right to continue to use the said name on and in connection with any and all motion pictures made hereunder.

TWENTY-FIRST: In the event deMille is engaged in directing a motion picture at the time of the termination of this agreement for any reason, he shall, nevertheless, continue his services until the said picture is completed, and shall be paid for his services so rendered the same compensation being paid to him immediately prior to the termination of this agreement and such production when completed shall for all the purposes hereof, be considered a production made during the term hereof.

TWENTY-SECOND: The name of deMille shall be included in any and all paid publicity and advertising issued by the Companies in connection with each and every of the pictures personally directed and/or supervised by him, and the name of deMille shall be in type of equal size with any other type used therein. deMille shall be advertised and publicized in connection with all productions which he personally directs in a similar manner to the advertising of "The Volga Boatman" directed by him. [922]

TWENTY-THIRD: Each and every picture either personally directed or supervised by deMille shall be released to exhibitors and shown in the

manner in which the same is completed either by or under the supervision of deMille, without any changes, cuts, interpolations, additions to or subtractions therefrom of any kind except such as shall be ordered by any recognized board of censorship and shall contain such announcements with reference to deMille and in connection therewith as he shall from time to time deem advisable, but each of said productions shall contain the announcement, if the Companies so desire, that the same is produced by Pathe, which said announcement shall be given equal prominence to that of any other announcement forming a part of said production.

TWENTY-FOURTH: The Companies shall keep true and accurate records and accounts of any and all moneys received and charges made from and on account of each and every picture produced hereunder as well as proper vouchers for all payments made and said records, books and vouchers shall at all reasonable times be open for the inspection and examination of deMille or his agent. The said Companies shall furnish to deMille each thirty (30) days a true and accurate statement showing in detail the gross amounts received and contracts taken or business done from or on account of each of the pictures produced under the terms hereof and shall accompany each of such statements with a check payable to deMille for the portion of said amount at that time due to deMille according to the terms hereof. All such books kept by the Companies and all charges and entries shall be in accordance with good accounting practice as adopted by a recog-

nized certified public accountant employed by the Companies. [923]

IN WITNESS WHEREOF, the corporate parties hereto have caused this instrument to be duly executed by their officers first thereunto duly authorized and their corporate seals to be hereunto affixed and deMille has hereunto set his hand and seal the day and year first above written.

PATHE EXCHANGE, INC.
By (Signed) J. J. Murdock, Pres.

Attest:
(Signed) Lewis Innerarity
Secretary

CECIL B. DE MILLE PICTURES CORPORATION,
By Cecil D. deMille, Pres.

Attest:

.....
Secretary [924]

CECIL B. DE MILLE PRODUCTIONS, INC.
By Cecil B. deMille
Pres.

Attest:

.....
Secretary
Cecil B. deMille (L. S.)
.....(L. S.)
.....(L. S.)

State of New York
County of New York—ss.

On this.....day of March, 1927, before me personally came....., to me known, who, being by me duly sworn, did depose and say that he resides in.....: that he is the .....of PATHE EXCHANGE, INC., the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

State of New York
County of New York—ss.

On this.....day of March, 1927, before me personally came....., to me known, who, being by me duly sworn, did depose and say that he resides in.....: that he is the.....of the CECIL B. DE MILLE PICTURES CORPORATION, the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order. [925]

State of California,
County of Los Angeles—ss.

On this 1st day of June, 1927, before me personally came Cecil B. deMille to me known, who, being by me duly sworn, did depose and say that he resides in Los Angeles, Cal.....: that he is the President of the CECIL B. DE MILLE PRODUCTIONS, INC., the corporation described in and which executed the above instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation and that he signed his name thereto by like order.

Neil S. McCarthy
Notary Public

[Seal] Neil S. McCarthy, Notary Public, Los Angeles, Cal.

State of California
County of Los Angeles—ss.

On this 1st day of June, 1927, before me came CECIL B. DE MILLE, to me known to be the individual described in, and who executed the foregoing instrument, and acknowledged that he executed the same.

Neil S. McCarthy
Notary Public

[Seal] Neil S. McCarthy, Notary Public, Los Angeles, Cal. [926]

PETITIONER'S EXHIBIT NO. 11

[Endorsed]: Admitted in evidence Dec. 15, 1933.

THIS AGREEMENT made and entered into at Los Angeles, California, this 18th day of April, 1928, by and between PATHE EXCHANGE, INC., a New York corporation, herein called Pathe and also included in the expression Companies, CECIL B. DE MILLE PICTURES CORPORATION, a Delaware corporation, herein called Pictures Company and also included in the expression Companies, CECIL B. DE MILLE PRODUCTIONS, INC., a California corporation, herein called Productions Company, and CECIL B. DE MILLE, of Los Angeles, California, herein called deMille,

WITNESSETH:

THAT, WHEREAS, an agreement was made and entered into as of the date of the 11th day of April, 1927, between the parties hereto under the designations above set forth, and which said agreement was a part of a transaction involving a reorganization of Pathe, and to the general agreement concerning which reorganization said contract between the parties above set forth was annexed and marked Exhibit H; and

WHEREAS, the Productions Company was formerly the owner of the studios now known as the Cecil B. deMille Studios, located at Culver City, California, and owned by the Pictures Company, together with certain artists, actors, actresses and equipment, fixtures and materials used in the production of motion pictures; and

WHEREAS, the said Productions Company did transfer said studios, artists and equipment to the Pictures Company; and [927]

WHEREAS, the said Productions Company, in the contract above referred to and annexed to the said reorganization agreement as Exhibit H, reserved and was granted the right and option to purchase said studios, together with the equipment thereof, including certain of the artists and personnel of said organization, said option to be subject to exercise in the event of the termination of said agreement marked Exhibit H, and in which it was further provided that, in the event of the exercise of said option, there should be credited on the amount of the purchase price thereof, the sum of One Hundred Eighty Eight Thousand Dollars ($188,000); and

WHEREAS, the parties are desirous of terminating said agreement above referred to and dated as of the 11th day of April, 1927, including the termination of the option for the purchase of said studios as in said agreement set forth, but excepting certain provisions of said agreement hereinafter expressly referred to;

NOW, THEREFORE, IT IS HEREBY AGREED THAT:

The Companies and each of them shall and hereby do sell, assign, transfer and deliver unto the Productions Company that certain equipment, appliances and properties set forth and described in the schedule hereunto annexed and marked Schedule A, and the full, complete and unrestricted title to which

said properties, when so transferred, shall be vested in the Productions Company free and clear of all liens and encumbrances.

The Productions Company shall have and is hereby granted the right and option to the services of the artists and individuals whose names are set forth in Schedule B hereunto annexed, together with the contracts with the Companies or either of them for the services of the said artists and individuals. The Productions Company shall not have the right to the exercise of said option until after the lapse of such period of time hereafter that would be sufficient to enable the Companies to produce two (2) consecutive motion pictures with the said artists portraying roles therein, it [928] being expressly understood, however, that the Companies may make two (2) motion pictures with each of said artists or may use said artists in only two motion pictures, at the option of the Companies. The Productions Company may exercise the option hereinbefore granted at any time after the lapse of the time necessary for the production of said two motion pictures and the right to the exercise of said option shall continue thereafter for a period of not less than six (6) months and for such period of time in addition to said six (6) months as the said deMille or the said Productions Company is associated with the Companies or either of them as a director or producer of motion pictures which are being released by or through Pathe or under agreement with Pathe, and shall continue for a period of thirty (30) days after the Companies notify the Productions Company that the

said relationship is terminated. The companies shall have the right to use the services of the said artists in the production of their motion pictures during said six (6) months' period and until said option has been exercised, and in the event any of said artists is appearing in the production of a motion picture at the time of the exercise of said option, then the Companies shall have the right to continue the use of the services of such artist until the services of the artist in such production are completed. The productions in which the actor and actress in Exhibit B named shall be required to appear, together with the part therein which they shall be required to portray, shall be subject to the approval of deMille as herein provided for.

The Companies agree and guarantee that until said option is exercised or the time for the exercise thereof has expired, they will keep and observe all of the terms of the contracts for the services of the said artists and individuals to be done, kept or performed by the Companies or either of them, and will keep the contracts for the services of the said artists and individuals, during such time, in good standing and will not commit any breach or [929] consent to a termination of the said contracts or any of them, and upon the exercise of said option by the Productions Company, the Companies will deliver said contracts and the services of the said artists and individuals to the Productions Company.

The Companies shall have the right to use the services of the said artists in the production of other

and additional motion pictures until said option is exercised, and during said time, may lend the services of the said artists to other companies upon condition, however, that the companies to which the services of the actor and actress in Exhibit B named are to be loaned, and the productions in which they are to appear and the parts which they are to portray in such productions, either while their services are so loaned, or in the pictures to be produced by the Companies, including the two motion pictures to be produced before the Productions Company has a right to exercise the said option herein provided for, shall be subject to the approval of, and must be first approved by deMille, and the said actor and actress in Exhibit B named shall not be required to perform their services for any company or in any production or in any part therein until the said deMille has approved the same.

The said deMille and the said Productions Company shall be entitled to the use of the offices and space now occupied by them in the executive building at the studios of the Pictures Company at Culver City, California, and the customary storage space and shelter for the articles described in said Schedule A, for the period of six (6) months from the date hereof, to wit until the 18 day of October, 1928, and shall also have the further right, during said period of time, to the use, without any charge therefor, of the film vault on the grounds at said studios, the cost of the erection of which said vault was paid by the said Productions Company and

which has been used for the storage of the films of the Productions Company and deMille.

The Productions Company and deMille are the owners of all of [930] the furnishings, furniture, equipment and fixtures contained in the main office, the library, the dining room, the kitchen and the pantry now occupied by the said deMille and the said Productions Company, together with a pair of iron or bronze gates used in the production of the "KING OF KINGS", and shall have the right to remove not only said furnishings, furniture, equipment and property, but also the lighting fixtures and any other fixtures in said rooms contained, at any time on or before thirty (30) days after the expiration of said six (6) months' period, during which they are to be permitted to occupy said quarters, as hereinbefore provided. In the event deMille and/or the Productions Company continue or renew the association of them or either of them with the Companies or either of them as producer or director, then the time during which said space may be so occupied and the time during which said above named articles may be removed shall be extended for the same period of time as the relationship of the said deMille and/or the said Productions Company with the Companies or either of them is renewed or extended.

The Companies shall pay, and as a part of the execution hereof have paid, to the said Productions Company the sum of Fifty Thousand Dollars ($50,000) in cash, the receipt whereof is hereby acknowledged.

The Companies shall commence the release, sale and distribution of that certain motion picture directed by Cecil B. deMille under the title of "THE GODLESS GIRL", on or before the 1st day of January, 1929, and shall prosecute the release, sale and distribution thereof for a period of two (2) years from the date of the first release of said motion picture for general release, continuously and diligently and in a manner equal to the best approved methods and with equal diligence employed in the distribution of special motion pictures.

The Companies do hereby sell, assign, transfer and set over [931] unto the Productions Company forty per cent. (40%) of the gross amounts earned by said motion picture, "THE GODLESS GIRL", throughout the entire world, without any deductions therefrom, from the release, sale, exhibition or other use or disposition thereof, and the Productions Company does hereby make, constitute and appoint Pathe as its trustee for the purpose of collecting and receiving for the said Productions Company the said forty per cent. (40%) of said gross earnings, and to pay the same to the Productions Company at the times and in the manner described in said agreement of April 11, 1927, for the payment to the said Productions Company of the percentages of the earnings of the motion pictures heretofore produced under the terms of said agreement of April 11, 1927, the said gross earnings so collected by Pathe as trustee for the Productions Company as herein described shall be kept and maintained separate and apart from and not mingled with any other funds of

Pathe and shall be held by Pathe in trust until the payment thereof to the said Productions Company. Pathe hereby accepts said trust and agrees to collect said forty per cent. (40%) of said gross earnings from said motion picture, and to pay the same to the Productions Company in accordance with the terms hereof. Upon the payment to the Productions Company of the total sum of Two Hundred Thousand Dollars ($200,000), together with interest thereon at the rate of six per cent. (6%) per annum from the date hereof until paid, the Productions Company shall assign, and transfer unto Pathe all of its right, title and interest in and to the said forty (40%) per cent. of said gross receipts and in and to the right to receive any further sum on account of the assignment of said forty per cent. (40%) as herein described, and after the payment to the said Productions Company of the said sum of Two Hundred Thousand Dollars ($200,000), together with interest thereon as herein described, the said Productions Company shall not be entitled to receive any further amounts by reason of this assignment. The payment to the Productions [932] Company of the said forty per cent. (40%) of the said gross earnings of the said motion picture, "THE GODLESS GIRL", as hereinbefore provided for shall be in addition to the obligation of the Companies to pay to the said Productions Company the percentages from the said "THE GODLESS GIRL" and the percentages from the other productions, a percentage of the earnings of which is to be paid

to the said Productions Company under the terms of said agreement dated as of the 11th day of April, 1927, and hereinbefore referred to, and said agreement as it affects said percentages and each, every and all of the terms, covenants and conditions and obligations relating to said percentages are hereby ratified and confirmed and the terms thereof shall be strictly complied with; and in addition to the items shown in the reports required to be rendered to the Productions Company under the terms of said agreement of April 11, 1927, there shall be included similar reports and similar detail at the same times showing the amounts from the gross earnings of the said "THE GODLESS GIRL" to which the Productions Company is entitled under the terms hereof, which said amounts shall be paid to the Productions Company at the same intervals provided for the percentages to be paid under said agreement of April 11, 1927.

The Companies and each of them do hereby sell, assign and transfer unto the Production Company the percentages of the gross earnings of each of the productions made as provided for in said agreement of April 11, 1927, and do hereby agree to collect, receive for and pay to the Productions Company the same, as trustee for the said Productions Company, and do hereby further agree that all of the terms and provisions hereinbefore set forth with reference to said trust and the manner of carrying out and the performance of the same with reference to the said "THE GODLESS GIRL" shall apply to and be binding upon the Companies with reference

to the gross earnings of each of the motion pictures a percentage of which is to be paid to the said Productions Company as in the said agreement of April 11, [933] 1927, provided for.

The definition of gross earnings and gross receipts, together with the remaining terms and conditions provided for in said agreement of April 11, 1927, for the payment of the percentages therein provided for shall apply to and be binding on the parties hereto with reference to the payment of this additional forty per cent (40%) of the gross earnings of the said "THE GODLESS GIRL".

Pathe acquired certain policies of insurance on the life of deMille, which policies were originally issued at the request of the Famous Players Lasky Corporation, and are in the following amounts, and with the following companies and bear the following numbers:

New York Life Insurance Company, No. 6070461, $50,000;

Guardian Life Insurance Company, No. 308118, $50,000;

Travellers Insurance Company, No. 343308, $100,000;

New York Life Insurance Company, No. 6070462, $50,000;

Guardian Life Insurance Company, No. 308117, $50,000;

Mutual Life Insurance Company, No. 467669, $50,000.

Each of said policies has a cash surrender value computed according to the terms of said respective policies. The parties hereto contemplate the making

of a new agreement providing for the production of a motion picture or motion pictures to be directed and/or supervised by deMille and a motion picture or motion pictures to be supervised by deMille, personally. In the event such an agreement is not executed between the parties within thirty (30) days from the date of the execution of this agreement, the Companies shall transfer said policies to the Productions Company for a sum equal to the cash surrender value of said policies less any loan thereon which said sum shall be credited on the last installments of the Two Hundred Thousand Dollars ($200,000) which the Productions Company is hereby entitled to receive from the proceeds of the motion picture, "THE GODLESS GIRL", and the said Two Hundred Thousand Dollars ($200,000) which the Productions Company would otherwise be entitled to receive from the proceeds of said motion picture shall be reduced accordingly. ~~The cash surrender value of said policies and the amounts to be [934] deducted from the Two Hundred Thousand Dollars, accordingly, is the sum of..... Dollars ($.....), and the amount which the Productions Company will be, consequently, entitled to receive after the transfer of said policies, from the said forty per cent (40%) of the earnings of the said motion picture production, "THE GODLESS GIRL", is the sum of..... Dollars ($.....), together with interest thereon at the rate of six per cent (6%) per annum as herein otherwise provided for.~~ In the event the said new agreement for the pro-

duction of said motion picture or motion pictures to be personally directed by Cecil B. deMille and said motion picture or motion pictures to be supervised by the said Cecil B. deMille, is executed within the said period of thirty (30) days from the date of the execution hereof, then the said Pathe shall retain said policies of insurance on the life of the said deMille until the termination of said new agreement and upon the termination thereof, shall transfer said policies to the said Productions Company, and there shall then be credited upon the last installments of said Two Hundred Thousand Dollars ($200,000) an amount equal to what at that time will be the cash surrender value of each of said policies, less any loan thereon and in the event the said Two Hundred Thousand Dollars has been entirely paid at the time of the termination of said new agreement or in the event that the amount thereof still unpaid is less than the cash surrender value of said policies at such time less any loan thereon then the Productions Company or deMille shall pay to the said Pathe in the first event the total cash surrender value of said policies less any loan thereon and in the second event, an amount equal to the excess of the cash surrender value of said policies less any loan thereon over the balance of said Two Hundred Thousand Dollars at such time remaining unpaid. Where the said sum of Two Hundred Thousand Dollars ($200,000) is herein referred to it shall include interest thereon at the rate of six per cent. (6%) per annum as herein provided for. [935]

The Companies or one of them has the option to acquire the services of certain artists and individuals and to acquire certain property under existing contracts and agreements, a list of which said options is hereunto annexed and marked Exhibit C. In the event the Companies fail to exercise said options or any of them within ten (10) days prior to the date when the right to exercise such option will expire, it shall immediately notify the Productions Company of its failure so to do, and the said Companies and each of them do hereby grant, bargain, sell, assign and transfer to the Productions Company all their right, title and interest and claim of any and every kind in and to said options and each of them and the rights arising out of the same, each such assignment to become effective in the event, and only in the event of the failure of the Companies or one of them to exercise such options within the time hereinbefore limited. The rights hereby transferred shall apply severally to either one or more of the several options with reference to the contracts with each of said parties in said Exhibit C described.

The companies shall pay to the Production Company and to deMille the fixed money compensation amounting to a total of Seventy Five Hundred Dollars ($7500) per week as provided for in said agreement of April 11, 1927, up to the 1st day of May, 1928.

The Companies and each of them do hereby grant, convey, sell, assign, transfer and set over unto the Productions Company the right to the use of the

insignia and trade mark now used by the Cecil B. deMille Pictures Corporation and which is printed on the stationery of the said Cecil B. deMille Pictures Corporation and which consists of a circle containing the words "CECIL B. DE MILLE PICTURES", and in the interior of the circle a black horse mounted by a knight in armor, and the Companies and each of them do hereby further agree that, as a result thereof, they shall not hereafter have the right to the use of the said insignia and trade mark and [936] the exclusive right to the same and to the use thereof is hereby transferred to and vested in the said Productions Company.

The Companies and each of them do hereby agree that deMille and the Productions Company may cause a print of each of the motion pictures either directed or supervised by deMille under the terms of said agreement of April 11, 1927, to be made, and may retain the same for their own use and as their own property, and the Companies do hereby sell, assign, transfer and set over unto the said deMille and the said Productions Company each of the prints so made together with the right to the use of the same, but with the express reservation that the said prints shall not, nor shall any of them, be used at any time for public exhibition nor shall the right to the use of the same at any time be granted to anyone for exhibition to the public.

Upon condition that each and every of the terms, covenants and obligations to be observed, done and

performed by the Companies and either of them, is done or performed at the time and in the manner herein provided, time being expressly made of the essence of this agreement, deMille and the Productions Company do hereby agree to relieve the Companies and each of them from the performance of the terms, covenants and conditions and obligations provided for in said agreement dated as of the 11th day of April, 1927, in favor of deMille and the Productions Company, except the provisions and obligations therein contained with reference to the payment to deMille and/or the Productions Company of percentages of the earnings of the motion pictures produced in accordance with the terms of said agreement, and except the provisions and obligations therein contained with reference to the use of the name deMille in connection with the Companies or the productions of the Companies, which said provision with reference to the use of the name of deMille as provided for in said agreement of April 11, 1927, shall be strictly and promptly observed and complied with. [937]

The last of the motion pictures precentages of the earnings of which are payable to the said deMille and/or the said Productions Company under said agreement of April 11, 1927, shall be the following: "SKYSCRAPER", "THE COP", "MAN-MADE WOMEN", "TENTH AVENUE" and "THE GODLESS GIRL", and said percentages shall apply to said productions and all productions theretofore made under said agreement of April 11, 1927,

but shall not apply to any motion pictures hereafter made without an express agreement in writing to that effect.

IN WITNESS WHEREOF, the Companies and the Productions Company have each caused this agreement to be executed by their duly authorized officers, respectively, and the said deMille has hereunto set his hand, all as of the day and year first above written.

[Seal] PATHE EXCHANGE, INC.,
By Joseph P. Kennedy
CECIL B. DE MILLE PICTURES CORPORATION,
By Joseph P. Kennedy
CECIL B. DE MILLE PRODUCTIONS, INC.,
By Cecil B. deMille
Pres.

Gladys Rosson
Asst. Secy.

Cecil B. deMille [938]

EXHIBIT B.

Attached to agreement executed April 18, 1928, between Pathe Exchange, Inc., Cecil B. deMille Pictures Corporation, Cecil B. deMille Productions, Inc., and Cecil B. deMille.

PHYLLIS HAVER
GEORGE DURYEA
J. MITCHELL LEISEN
PEVERELL MARLEY

C. B. deM.
J. P. K. [939]

April 18, 1928.

To Cecil B. deMille and Cecil B. deMille Productions, Inc.

Gentlemen:—

Further supplementing the termination agreement dated the 18th day of April, 1928, which document is for the purpose of terminating the agreement between yourselves and Pathe Exchange, Inc. and Cecil B. deMille Pictures Corporation, with the exception of the terms thereof which it is expressly agreed shall not be cancelled, it is hereby agreed that the terms of Paragraph twentieth of the agreement between Cecil B. deMille and Cecil B. deMille Productions, Inc., Cecil B. deMille Pictures Corporation and Pathe Exchange, Inc. dated the 11th day of April, 1927, shall remain binding and effective upon the parties and particularly the said Pathe Exchange, Inc. and the said Cecil B. deMille Pictures Corporation shall have the right to continue to use the name Cecil B. deMille on and in connection with any and all motion pictures made under the terms of said agreement dated April 11th, 1927,

the last of which said pictures are SKYSCRAPER, THE COP, MAN MADE WOMEN, TENTH AVENUE, and THE GODLESS GIRL.

The execution of this agreement by the respective parties hereto shall constitute this a binding agreement by and between us.

PATHE EXCHANGE, INC.,
By JOSEPH P. KENNEDY
CECIL B. DEMILLE PICTURES CORPORATION
By JOSEPH P. KENNEDY
CECIL B. DEMILLE PRODUCTIONS, INC.,
By CECIL B. DEMILLE, Pres.
Cecil B. deMille [940]

Los Angeles, California
April 18, 1928.

Cecil B. deMille Productions, Inc.,
Mr. Cecil B. deMille,
DeMille Studios,
Culver City, California.

Gentlemen:

We have made on agreement terminating the present existing contract between Pathe Exchange, Inc., Cecil B. deMille Pictures Corporation, Cecil B. deMille Productions, Inc., and Cecil B. deMille, which termination agreement, it is planned, shall be executed contemporaneously with the execution of this letter. This letter is to supplement that agree-

ment and to be binding upon the parties as though made a part thereof.

You agree that you will not unreasonably withhold your approval of the productions in which the artists named in Exhibit B of said termination agreement are required to render and perform their services, nor of the part in such productions which they are required to portray.

It is further agreed that there shall be no obligation on the part of Pathe Exchange, Inc., or the Cecil B. deMille Pictures Corporation to exercise any of the options upon the services of the said artists or to enter into new agreements with them in order to comply with the terms of the option described in said termination agreement, but you must be notified ten (10) days before the date of the expiration of any option if the same is not to be exercised by us.

Our execution of this letter will constitute it a binding agreement between us.

Very truly yours

[Seal] PATHE EXCHANGE, INC.,
By JOSEPH P. KENNEDY

CECIL B. DEMILLE PICTURES CORPORATION,
By JOSEPH P. KENNEDY

ACCEPTED AND AGREED TO:

[Seal] CECIL B. DEMILLE PRODUCTIONS, INC
By CECIL B. DEMILLE
Pres.

Cecil B. deMille [941]

PETITIONERS EXHIBIT 12.

[Endorsed]: Admitted in evidence Dec 14 1933.

AGREEMENT, executed this 31st day of July, 1928, by and between CECIL B. DeMILLE PRODUCTIONS, INC., a California corporation, hereinafter referred to as "the producer", and METRO-GOLDWYN-MAYER CORPORATION, a New York corporation, hereinafter referred to as "Metro",

WITNESSETH:

WHEREAS, the parties hereto desire to contract for the production of three feature photoplays to be personally directed by Cecil B. DeMille, hereinafter referred to as "Mr. DeMille", it being understood that the term "photoplay" as used herein and unless otherwise agreed shall mean a motion picture production of a connected sequence and continuity of scenes of not less than seven thousand five hundred (7,500) lineal feet, (unless otherwise agreed) nor more than thirteen thousand (13,000) lineal feet, and that said term shall further include, but not be limited to, motion picture production of like length and character produced and/or exhibited with sound and voice reproducing devices, radio devices, and all other improvements and devices which are now or may hereafter be used in connection with the production and/or exhibition of motion picture productions; and

WHEREAS, said photoplays shall be produced by the producer for Metro and be distributed by Metro-

Goldwyn-Mayer Distributing Corporation, hereinafter referred to as the "distributor"; and

WHEREAS, said photoplays are to be produced, financed and distributed, and the proceeds thereof apportioned subject to the terms and conditions hereinafter more particularly set forth; [942]

NOW, THEREFORE, in consideration of the premises and of the terms, covenants and conditions hereinafter set forth,

IT IS AGREED:

1. The term of this agreement, insofar as the production of said photoplays is concerned, shall commence upon the execution hereof and shall continue thereafter, except as hereinafter provided, until all three of said photoplays have been completed and delivered as herein provided. The producer agrees, however, that all three of said photoplays will be so completed and delivered within three (3) years from the date of the execution hereof.

2. The producer represents and warrants that it has a contract with Mr. DeMille for the exclusive services of said Mr. DeMille during the entire period to be required for the production of the photoplays to be produced by the producer hereunder. The producer agrees that until all of the photoplays to be produced hereunder have been completed and delivered, neither the producer nor Mr. DeMille will produce, or render any other services in connection with, any photoplays except those deliverable hereunder, and it further guarantees and warrants that

until the completion and delivery of all of the photoplays to be produced hereunder it will not permit the name of Cecil B. deMille to be announced as the maker, director, or supervisor, or as interested in the production of any motion pictures or photoplays except those to be produced and financed hereunder and those heretofore produced, directed, or supervised by him. The producer does hereby specifically agree and guarantee that each of the photoplays to be produced hereunder will [943] be directed solely and entirely by Mr. DeMille personally and that said Mr. DeMille will render such services in connection with the production of each of said photoplays as are usually and customarily performed by a producer and director in the motion picture industry, which services include the selection of suitable stories, literary compositions, or other works upon which such photoplays shall be based, the selection of casts, the preparation or supervision of manuscripts, scenarios, and/or continuities for each such photoplay, the supervision and direction of filming, photography, titling, editing and cutting of each of said photoplays and the negative and positive prints thereof, and the rendering of any and all such other services in connection with each of said photoplays as may be necessary in order that the same may be produced and completed as the term "completion" is hereinafter defined. It is understood that by the phrase "completion of production", or its equivalent, as said term is used with reference to any photoplay to be produced hereunder

is meant the completion of two sample or master positive prints of such photoplay fully cut, titled and assembled and ready in all respects for distribution, and the completion of two negatives conformed to said sample positives, except as to so-called "talking" photoplays, in which event the general custom of producers as to the number of negatives shall prevail. Except as elsewhere in this agreement expressly provided, it is agreed that Mr. DeMille shall have and will be given sole and complete authority in any and all matters pertaining to the production of said photoplays, including the selection of the story, cast, and the selection and designing of any and all other things in connection therewith, the direction thereof, the cutting, titling, and assembling thereof, without any right of interference by anyone, but with the right on the part of Louis B. Mayer and Irving G. Thalberg to discuss matters of production [944] with Mr. DeMille. It is distinctly understood and agreed, however, *the* the producer's and Mr. deMille's judgment and discretion with reference to all matters and all acts in connection with which they or either of them are given authority under the provisions of this paragraph shall be exercised and done honestly and in good faith.

3. Mr. DeMille, by his acceptance of this contract, does hereby confirm, ratify and approve the rights granted to Metro under the terms of this contract, and, by such acceptance of this contract, does hereby expressly agree with and for the benefit of Metro that until the completion and delivery to Metro of all of the photoplays to be pro-

duced hereunder he will render his services as a producer and director solely and exclusively in and about the production and direction of said photoplays. Mr. DeMille further agrees that until the completion and delivery of all of the photoplays to be directed by him under the terms of this agreement he will not render his services as a director or as a producer in connection with the production of any motion pictures or photoplays other than those to be produced hereunder. Mr. DeMille further agrees that at the request of Metro he will permit his voice to be recorded on films and records for the purpose of exploiting and advertising the phootplays to be produced hereunder, and that until all of said photoplays have been completed Metro shall have the sole and exclusive right (subject only to rights heretofore granted by him with reference to photoplays heretofore produced) to use and reproduce such voice recordations and/or Mr. DeMille's name and photographs and other reproductions of his physical likeness for like purposes and not in connection with the advertising of any matter or thing except other productions made and/or distributed by Metro; and that Metro shall have the further right to make use of and reproduce Mr. [945] DeMille's voice, name and photographs or other reproductions of his physical likeness for like purposes at all times during the exploitation and/or distribution of the photoplays to be directed by him hereunder. Mr. DeMille, by his acceptance of this agreement, does hereby agree that the services to be rendered by him hereunder are of a special,

unique, unusual, extraordinary, and intellectual character which gives them a peculiar value, the loss of which to Metro cannot be reasonably or adequately compensated in damages in an action at law. Mr. DeMille does hereby expressly agree that Metro shall be entitled to injunctive and other equitable relief to prevent him from rendering his services in connection with the production or direction of any motion pictures or photoplays other than those to be produced hereunder until the completion and delivery of all of the photoplays to be produced hereunder. This provision, of course, shall not be construed as a waiver of any other rights which Metro may have in the premises, for damages or otherwise.

4. Inasmuch as it is customary for Mr. DeMille to make contributions, and frequently very substantial contributions, to the literary, dramatic, or other material upon which photoplays directed by him are based, and to the titles used in connection therewith, it is agreed that neither the producer nor Mr. DeMille shall be entitled to receive any compensation for such contributions; and that all rights of every kind and character in and to such contributions by Mr. DeMille shall belong solely and exclusively to Metro. It is agreed, however, that if any photoplay produced hereunder is based substantially upon an original story written by or under the supervision of Mr. DeMille, then only the sole and exclusive motion picture rights throughout the world in and to such original story shall vest in and [946] belong to Metro, it being agreed, however, that the term

"motion picture rights" as used herein shall include the right to produce and/or exhibit motion picture versions of such original story, which versions may be accompanied by sound and voice reproducing devices, radio devices, and all other improvements and devices which are now or may hereafter be used in connection with the production and/or exhibition of motion picture productions; and all rights necessary to produce and/or exhibit such motion picture version or versions of such original story, accompanied by sound and voice reproducing devices, radio devices, and such other improvements and devices, shall be and be deemed to be owned exclusively by Metro, and shall likewise include the right to publish synopses thereof (not exceeding 12,000 words in length) for publicity and exploitation purposes. Metro shall copyright or affix copyright notices to all synopses published by it wherever such copyright or notices shall be necessary to protect Mr. DeMille's interest in such story.

5. (a) It is understood and agreed that each of the photoplays to be produced hereunder shall be announced and advertised as having been produced by the producer and released through Metro. The name "Cecil B. DeMille" shall be included in any and all paid publicity and advertising issued by Metro, in connection with each and every one of the photoplays produced under the terms hereof, and each such photoplay shall be announced as "A Cecil B. DeMille Production", and in all such paid publicity and advertising, the name of Cecil B.

DeMille shall be in type as large in all dimensions as any other type used therein. The casual or inadvertent failure to comply with the provisions of this paragraph, however, shall not be or be [947] deemed to be a breach of this agreement.

(b) Each of the photoplays to be produced hereunder shall be released for exhibition as the same are constituted upon the completion thereof by the producer, and no changes, cuts, interpolations, additions to or subtractions therefrom of any kind, shall be made therein or thereto, except that changes may be made in said photoplays as finally completed, in order to conform to the requirements of censorship boards or other legally constituted authorities, and except also that such changes may be made in and to copies of said photoplays which are distributed in foreign countries, as may be necessary or advisable in order to facilitate the distribution and exploitation of such photoplays in foreign countries.

(c) Metro shall not be permitted to use any negative exposed in the production of the photoplays to be produced hereunder, as part of any other photoplay or photoplays, except, however, that if any parts of the photoplays to be produced hereunder may be properly classified as "stock shots" then, of course, Metro shall have the free and unrestricted use of such "stock shots".

6. Metro shall own and have the exclusive and complete control, right, title, and property, and all other rights of every kind and character in and to

the photoplays to be produced hereunder, as well as in and to any and all negatives and positive prints thereof and all parts thereof and all properties connected therewith, and in and to all sets, props, wardrobe, equipment, and other property or rights purchased or built for use in connection with the production of said photoplays. Such ownership and rights shall become vested [948] in Metro immediately upon the creation or manufacture of such property, or upon its purchase for use in said photoplays, as the case may be. The producer's rights shall consist of the right to receive an amount equal to certain percentages of the profits of said photoplays as elsewhere herein provided, and the producer shall have no interest in or to any of the property hereinabove in this paragraph referred to, or in or to its salvage value, except as herein otherwise provided with reference to re-makes of said photoplays or the sale of story rights, and except also that where any so-called "prop" or other article of a much higher quality or standard is purchased for use in connection with one of said photoplays and at the time of such purchase it is contemplated that the same will be sold immediately after its use in said photoplay has been completed, then, upon the sale of such prop or article, the net proceeds of such sale shall be credited against the cost of the photoplay to which the original cost of such prop or article was charged.

7. Said photoplays shall be produced solely at the Culver City studio of Metro (except where "location" work is necessary); and each and all of the

services and facilities owned, controlled, or furnished by or through Metro shall be used by the producer in the production of said photoplays. In no event shall the producer duplicate any department or service owned or controlled by Metro or which can be furnished by Metro or obtained through Metro. The producer shall incur all obligations in connection with the production of said photoplays only through the regular channels provided by Metro in connection with such matters. All contracts and agreements of every kind in connection with the production of said photoplays shall [949] be prepared by Metro and shall be entered into by and in the name of Metro. Wherever possible, the producer agrees to use the regular employes of Metro in connection with the production of said photoplays, provided, however, that in no event shall the producer have the right to use any of Metro's stars. In no event shall the producer require Metro to employ any artist or other person in connection with the production of any of said photoplays at a salary in excess of the usual and customary salary paid to such artist or other person by other producers. Metro agrees that it will pay the costs, liabilities, obligations and expenses incurred in or arising out of the manufacture and production of said photoplays as and when such costs, liabilities, obligations and expenses become due and payable, including insurance premiums; but nothing herein contained shall be construed so as to obligate Metro to pay any costs, liabilities, obligations or expenses in excess of the limitations elsewhere in this agreement ex-

pressly provided for, or to pay any costs, liabilities, obligations or expenses which are not permissible or proper under the terms and conditions of this agreement. It is understood that Metro shall have no discretion whatsoever as to any contract, or obligation, or payment to be entered into, or incurred, or paid by it at the producer's direction, on condition that the same be permissible and proper under the terms and conditions of this agreement.

8. No persons to be employed in connection with any of said photoplays shall be employed for more than the duration of such person's contemplated services in one photoplay without Metro's written consent first had and obtained. If such written consent is obtained and such person is thereupon employed by Metro under a so-called "long term" employment contract, then at any time after the completion of the photoplays to be produced [950] hereunder and until the termination of the original term of such employment contract and of any optional periods for which Metro may have exercised options granted to it under such contract, the producer may borrow the services of such person from time to time by paying to Metro the weekly salary which Metro is then paying such person, plus an amount equal to twenty-five per cent (25%) of such salary; provided, however, that Metro shall not be obligated to lend the services of such person to the producer at any time when such person is appearing in a production then being made, or is cast to appear in a production about to be made. In either of the

latter cases, if the producer at the time of its request for the services of such person signifies its willingness to accept such person on the completion of the production in which such person is then appearing, or in which such person is about to appear Metro shall deliver to the producer the services of such person upon the completion of such production, and the producer agrees to accept such services. No person may be borrowed by the producer from Metro under the provisions of this paragraph 8 unless such person's services are used by the producer in a photoplay directed or supervised by Mr. DeMille; nor shall the services of such person be so borrowed by the producer under the provisions of this paragaph more than once per year.

9. Each of said photoplays shall be known and designated as either "Class 'A'" or "Class 'B'". A Class "A" photoplay shall be a photoplay in connection with which the maximum amount to be expended by Metro hereunder shall be One Million Dollars ($1,000,000.00). A Class "B" photoplay shall be a photoplay in connection with which the maximum amount to be expended by Metro hereunder shall be Seven Hundred Fifty Thousand Dollars ($750,000.00). Each of the photoplays to be produced [951] hereunder shall be a Class "B" photoplay unless the producer, prior to the commencement of the production of such photoplay, designate the same to be a Class "A" photoplay, but the designation by the producer of any photoplay as a Class "A" photoplay shall not be binding upon Metro unless and until the express written consent

and approval of Metro to such Class "A" classification has been obtained. If Metro, within five (5) days after it has been notified by the producer of the designation of any photoplay as a Class "A" photoplay, refuses or fails to approve such classification, then and in that event the determination of the classification of such photoplay shall be made by Edwin J. Loeb, or by anyone whom said Edwin J. Loeb may designate, and the decision of said Edwin J. Loeb or of the person designated by him shall be binding upon the parties hereto. In no event shall any expense in excess of the aggregate sum of Twenty-five Thousand Dollars ($25,000.00) be incurred in connection with any photoplay prior to ten (10) days after the completion of production of the next preceding photoplay produced hereunder, unless Metro's written consent to the incurring of any excess expenditures shall be first had and obtained.

10. As far in advance as possible of the commencement of production of each photoplay to be produced hereunder, the producer agrees to deliver to Metro a detailed working synopsis of the story on which such photoplay is to be based; and upon the completion of each continuity, or substantial part thereof, the producer agrees to deliver a copy of such continuity, or substantial part thereof, to Metro. As soon as sufficient information is available, and as far prior to the commencement of actual production as possible, the parties hereto shall fix a budget of approximately the amount which will be

required in defraying the cost of production of such [952] photoplay, and while the producer agrees that it will conscientiously and in good faith endeavor to keep within the limits set forth in such general budget, it is agreed that such budget shall in no wise be binding upon either of the parties hereto. Such budget shall, of course, set forth the items embraced therein and how the respective amounts therein set forth have been arrived at.

11. Metro does hereby agree to expend up to, but not exceeding, One Million Dollars ($1,000,000.00) to cover the cost of each Class "A" photoplay produced hereunder and up to, but not exceeding Seven Hundred Fifty Thousand Dollars, ($750,000.00) for each Class "B" photoplay to be produced hereunder, unless as to any photoplay of either classification Metro shall have agreed in writing to expend any sums in excess of such limitations. In the event that any Class "A" photoplay shall cost more than One Million Dollars ($1,000,000.00), the producer will, and hereby undertakes and agrees to, furnish all moneys in excess of One Million Dollars ($1,000,000.00) necessary to complete such photoplay. In the event that any Class "B" photoplay shall cost more than Seven Hundred Fifty Thousand Dollars ($750,000.00), the producer will, and hereby undertakes and agrees to, furnish all moneys in excess of Seven Hundred and Fifty Thousand Dollars ($750,000.00) necessary to complete such photoplay. The amounts so to be paid by the producer shall be paid by it to Metro weekly upon the presentation to the producer of statements and

vouchers showing moneys advanced or charges incurred by Metro during the preceding week.

12. If by reason of any catastrophe, which could not have been reasonably foreseen or provided against, the cost of production of any photoplay is thereby increased beyond the [953] limits specified herein, then and in that event such part of the increase in the cost of production of such photoplay as may be directly attributable to such catastrophe shall be advanced by Metro (even though Metro's contribution to such cost be thereby increased to more than the respective $750,000.00 and $1,000,000.00 maximum limitation hereinabove set forth), but in any event all amounts advanced by Metro shall be recouped by it as hereinafter in paragraph 25, subdivision "e", and in paragraph 26 provided. In no other event and for no other cause or causes except as in this paragraph 12 specifically set forth, shall Metro be obligated to furnish and advance in excess of $1,000,000.00 for any Class "A" photoplay, or in excess of $750,000.00 for any class "B" photoplay. The term "catastrophe" as used in this paragraph shall include the death of any important member of the cast of such photoplay, fire, earthquake, floods, etc.; but shall not include such causes as inclement weather, insubordination of any member of the cast, or any other casualty or contingency of similar dignity. Should any dispute arise between the parties hereto as to whether or not any casualty causing the cost of production to increase beyond the limitations herein set forth constitutes a catastrophe, then and in that event such increase in the

cost of production so caused shall be advanced in the first instance by the producer, and the question as to whether or not the cause of such increase is directly attributable to a catastrophe hereunder shall be determined by arbitration, in which event Metro shall select one arbitrator, the producer the second, and the two arbitrators so selected, if they cannot agree, shall appoint a third and the decision of the majority of the arbitrators so appointed shall be binding and conclusive on the parties [954] hereto. If such decision shall be that such increase was directly attributable to a catastrophe hereunder, then and in that event Metro shall reimburse the producer for the excess advances made by it on account of the increased cost directly attributable to such cause or causes.

13. On condition that the producer and Mr. DeMille fully and completely keep and perform each and all of their obligations hereunder, in addition to the percentages hereinafter provided to be paid the producer, Metro shall pay to the producer, in installments as hereinafter provided, the sum of One Hundred Seventy-five Thousand Dollars ($175,000.00) for each Class "A" photoplay and One Hundred Fifty Thousand Dollars ($150,000.00) for each Class "B" photoplay; which amounts shall be charged to and become a part of production cost and shall be paid by Metro to the producer as follosw:

(a) The sum of Fifty Thousand Dollars ($50,000.00) shall be paid to the producer in in-

stallments of Five Thousand Dollars $5,000.00) per week during the progress of the work preparatory to photographing. As to any Class "A" photoplay, the first installment of Five Thousand Dollars $5,000.00) shall be paid to the producer on the Saturday next following the day on which the classification of such photoplay shall have been agreed to in writing by Metro or determined by Edwin J. Loeb or his nominee as hereinabove provided. As to each Class "B" photoplay, the first installment of Five Thousand Dollars ($5,000.00) shall be paid to the producer on the Saturday next following the commencement of actual work in the preparation of the literary or dramatic material to be used as the basis of such photoplay. Successive installments of Five Thousand Dollars ($5,000.00) each shall thereafter be paid to the producer on Saturday *or* [955] each succeeding week during the work of preparation, until the sum of Fifty Thousand Dollars ($50,000.00) has been paid to the producer; provided, however, that if the photographing of scenes of such photoplay shall have commenced prior to the full payment to the producer of said sum of Fifty Thousand Dollars ($50,000.00), then the unpaid balance shall be paid to the producer within five (5) days after the commencement of the photographing of scenes of such photoplay.

(b) A further sum of Fifty Thousand Dollars ($50,000.00) shall be paid to the producer in installments of Five Thousand Dollars ($5,000.00) per week during the photographing of each photoplay; the first installment to be paid on the Saturday next

following the commencement of the photographing of scenes of such photoplay, and successive installments to be paid on Saturday of each week thereafter during the photographing of such photoplay until the sum of Fifty Thousand Dollars ($50,000.00) has been paid to the producer; provided, however, that if the photographing of such photoplay shall have been completed prior to the full payment to the producer of said sum of Fifty Thousand Dollars ($50,000.00), then the unpaid balance shall be paid to the producer within five (5) days after the completion of the photographing of such photoplay.

(c) 1. In the case of each Class "A" photoplay, a further sum of Thirty-seven Thousand Five Hundred Dollars ($37,500.00) shall be paid to the producer in installments as follows during the cutting of each photoplay; the sum of Five Thousand Dollars ($5,000.00) on the Saturday next following the commencement of the cutting of such photoplay, and a like sum of Five Thousand Dollars ($5,000.00) on Saturday of each week thereafter during the cutting of said photoplay until the [956] sum of Thirty-five Thousand Dollars ($35,000.00) has been paid to the producer, and the balance of Two Thousand Five Hundred Dollars ($2,500.00) to be paid to the producer one week after the payment of the last of said installments of Five Thousand Dollars ($5,000.00). If the first rough cut of said photoplay shall have been completed prior to the payment to the producer of said sum of Thirty-seven Thousand Five Hundred Dollars ($37,500.00), then the unpaid bal-

ance shall be paid to the producer by Metro within five (5) days after the completion of such first rough cut; or

2. In the case of each Class "B" photoplay, a further sum of Twenty-five Thousand Dollars ($25,000.00) shall be paid to the producer in installments of Fve Thousand Dollars ($5,000.00) per week during the cutting of such photoplay, the first installment to be paid on the Saturday next following the commencement of the cutting of such photoplay, and successive installments to be paid on Saturday of each week thereafter during the cutting of such photoplay until the sum of Twenty-five Thousand Dollars ($25,000.00) has been paid to the producer; provided, however, that if the first rough cut of such photoplay shall have been completed prior to the full payment to the producer of said sum of Twenty-five Thousand Dollars ($25,000.00) then the unpaid balance shall be paid to the producer by Metro within five (5) days after the completion of such first rough cut.

(d) The balance, to-wit, the sum of Thirty-seven Thousand Five Hundred Dollars ($37,500.00) in the case of a Class "A" photoplay, or the sum of Twenty-five Thousand Dollars ($25,000.00) in the case of a Class "B" photoplay, shall be paid to the producer within five (5) days after said photoplay has been cut, titled and assembled in final form.

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14. Metro shall charge a flat rate, or sum, of One Thousand One Hundred Thirty-nine and 71/100

Dollars ($1139.71) per day, or part thereof, for each camera day required to photograph each photoplay to be produced hereunder. Should any retakes be required after the completion of the main photgraphing, a flat charge shall be made of One Hundred Dollars ($100.00) per hour for each hour or fractional part thereof required to rehearse and photograph the same. Such charges shall, of course, be charged to and become a part of production cost. In consideration of such charges, Metro agrees:

(a) To furnish, at its studio at Culver City, adequate stage space, (with due and reasonable regard for the requirements of other companies and units producing or expecting to produce photoplays at said studio, during the production period of each photoplay produced hereunder), available pro-rated sound stage space, available dressing rooms for cast and extras, the use of adequate projection and cutting rooms and machines, the use of available standing sets and any available wardrobe, props, flats, or similar equipment which may be owned by Metro and available at the time, but all changes and additions therein or thereto shall be charged for at cost. It is understood that such facilities may also be required by other producing units using said studio and that the extent of such facilities to be furnished to the producer hereunder, will be a fair pro-rata share based upon the proportion which said unit bears as to size to the size of the total number of producing units concurrently engaged in the production of photoplays at said studio; if more than such fair pro-rata share of such facilities is needed and is available, it will be furnished without charge.

(b) To permit the unit producing said photoplays to use, without charge, all direct electric current available from [958] stationary generators, concurrently with the use thereof by other producing units using said studio, it being understood that at all times said unit producing said photoplays shall be entitled to at least a fair pro-rata share of said current based upon the proportion which said unit bears as to size to the size of the total number of producing units concurrently engaged in the production of photoplays at said studio, such total part, however, not to exceed the reasonable capacity of such studio and its facilities and equipment. If more than such fair pro-rata share of such current is needed and is available, it will be furnished without charge; but if current in excess of such pro-rata share and of the amount available from said stationary generators is required, the actual cost of such additional current shall be charged to the cost of production. Current produced from gasoline motor generator sets shall be charged to cost of production at prevailing prices. Mazda and incandescent globes for lighting purposes shall be charged to cost of production at prevailing prices.

(c) To furnish the services and assistance of the executive organization of Metro as and when necessary.

(d) To furnish transportation, materials, and labor at cost, the latter to include, however, a pro-

portionate part of the expense of maintaining Workmen's Compensation Insurance, but the foregoing shall not apply to materials and labor not herein otherwise required to be furnished without charge. No charge shall be made in connection with so-called "test shots" except the actual cost of labor and material furnished in connection therewith. The executive organization of Metro, as that phrase is used herein, is not intended to cover or include the services of director, or assistant directors, cameramen and assistant cameramen, members of the cast or of any other persons directly engaged for or continuously employed in or assigned to the production of said [959] photoplays, and as to all such persons reasonably required for such productions and as long as they are actually engaged therein, and as to all facilities, and other matters or things furnished by Metro, and payment for which is not herein otherwise provided for, Metro shall be entitled to make the following charges which shall be charged to and before a part of production cost:

1. Where such persons are under written contracts or employment with Metro, at specified weekly salaries, and were not engaged specifically for the photoplays to be produced hereunder, the amount of such salary, plus twenty-five per cent (25%).

2. Where engaged specifically to render services in said photoplays, the exact amount of compensation paid to them.

3. Laboratory charges shall be made on the same basis as Metro may from time to time make such charges against its own productions.

4. All facilities and other matters or things, the payment of which is not herein otherwise expressly provided for and which should constitute a direct charge against said photoplays, shall be charged to and become a part of the production cost of the photoplay in connection with which the same was required, and shall be furnished at cost.

5. Inasmuch as many new problems will be presented in connection with the production of the photoplays to be produced hereunder, by reason of the application of sound recording and reproducing devices, and inasmuch as Metro and the producer appreciate the difficulty of calculating and estimating costs with reference thereto and particularly, the [960] difficulty of apportioning experimental costs against actual production costs, it is agreed that any such costs which may be traced and charged directly against any photoplay produced hereunder, shall be included as part of the production cost of such photoplay, and that the reasonable and proper pro-rata of any indirect costs shall be so charged. Should the parties hereto be unable to agree as to what constitutes direct charges or costs, or as to what constitutes a reasonable and proper pro-rata of indirect costs, the matter shall be determined by arbitrators to be selected as hereinafter provided.

6. Metro agrees to construct for the producer at the studio of Metro, a bungalow office building, the cost of which shall not exceed Fifteen Thousand Dollars ($15,000.00) and also a film vault. Said

building shall be equipped and maintained by the producer and at the sole cost and expense of the producer, and the producer shall not be entitled to recoup, in any manner, any cost or expense so paid by it. The cost of the construction of said building and film vault shall be charged to and become a part of the cost of production of the photoplays produced hereunder, and said cost of construction shall be pro-rated equally between all of the photoplays produced hereunder. The equipment furnished by the producer, shall, of course, be and remain the producer's sole property. The building and film vault constructed by Metro shall be and remain its sole property, and the producer shall have no right to any salvage value thereof.

15. All other items of cost directly attributable to production and which are ordinarily and customarily treated as part of the production cost of motion pictures or photoplays, shall be entered and charged as a part of production cost, [961] including, among other things, the amounts paid the producer under the provisions of paragraph 13 hereof, and such other items as premiums for insurance permitted to be taken out and charged to cost of production, as elsewhere in this agreement provided, prop rentals, location expenses, wardrobe not owned by Metro, and all other items directly attributable to production which are ordinarily and customarily considered in the motion picture industry as properly chargeable to production costs of motion pictures or photoplays. In the event of any dispute between Metro and the producer as to whether any

item has been properly included as part of production cost, and in the event of their inability to agree, the matter shall be determined by arbitrators to be selected as hereinafter povided.

16. (a) The producer and/or Mr. DeMille agree to assign and/or cause to be assigned to Metro existing policies of insurance covering Mr. DeMille's life to the extent of Two Hundred Fifty Thousand Dollars ($250,000.00), but as a condition to such assignment Metro shall pay, or cause to be paid, the present cash surrender value of such policies, and in no event shall such policies be so assigned unless it shall be impossible for Metro to procure adequate insurance coverage on Mr. DeMille on a so-called "term" basis at a lower rate of premium than is provided for in such existing policies. If after the completion of production of the photoplays to be produced hereunder the producer and/or Mr. DeMille should desire to have said existing policies re-assigned to them, or either of them, they shall pay to Metro such cash surrender value as such existing policies will have at the time of such re-assignment. If possible, Metro shall procure life insurance on a term basis covering Mr. DeMille to the extent of Two Hundred Fifty Thousand Dollars ($250,000.00), and Mr. DeMille, by his acceptance hereof, agrees to assist Metro [962] by doing such act or acts and by signing such applications as may be reasonably necessary to procure such insurance; but such term insurance shall not be procured by Metro unless the cost thereof would be less than the cost of maintaining the existing policies herein-

above referred to or unless said existing policies are not assigned to Metro. The cost of such insurance for the period covering the production of the photoplays to be produced hereunder shall be charged against the production cost of said photoplays proportionately; and any recovery derived from any policy of insurance herein referred to shall be applied as is provided in paragraph 25 hereof for the application and apportionment of net receipts from the photoplays to be produced hereunder.

(b) Should Metro desire to obtain life insurance covering Mr. DeMille to the extent of more than Two Hundred Fifty Thousand Dollars ($250,000.00), it shall have the right to do so and Mr. DeMille, by his acceptance hereof, agrees to assist Metro by submitting to the necessary medical examinations and by doing such other act or acts as may be reasonably necessary to procure such insurance. The cost of such excess life insurance procured under the provisions of this subdivision (b) of paragraph 16 shall be borne and paid solely by Metro and shall not be charged to the cost of production of any photoplay. The proceeds of all such policies so procured under the provisions of this subdivision (b) of this paragraph 16 shall belong solely and exclusively to Metro and neither the producer nor Mr. DeMille shall have any right, title, or interest whatsoever in or to such policies or the proceeds thereof.

17. It is agreed that either Metro or the producer may cause to be issued to Metro all forms of insurance customarily taken out by careful and

prudent producers of photoplays (other than insurance on the life of Mr. DeMille, which is hereinabove [963] otherwise expressly provided for), for the purpose of securing coverage against various hazards in connection with the production of said photoplays, and the premiums paid for such insurance shall be charged to and become a part of production cost, and the proceeds of such insurance shall be applied to pay or reduce the cost of production of the photoplay in connection with which the loss covered by such proceeds shall have occurred. It is agreed, however, that neither party hereto shall take out any health, accident, or illness insurance covering either Mr. DeMille or any other person interested in or connected with the production of said photoplays, without the written consent of the other party hereto.

18. The production of each of the photoplays to be produced hereunder shall commence as soon as is reasonably possible after the parties hereto have agreed upon the classification to which such photoplay shall belong, and production of such photoplay shall proceed thereafter continuously and diligently until the production of such photoplay has been completed.

19. The producer agrees to deliver to Metro, immediately upon completion of each photoplay to be produced hereunder, two sample or master positive prints of each photoplay, fully cut, titled, edited, and ready in all respects for distribution; together with the respective negatives of each of said photoplays (except as hereinabove otherwise

provided with reference to the negatives of "talking" photoplays); together with all negative and positive cut-outs, a sufficient number of still negatives for advertising and publicity purposes, and the customary and usual negative films for use in making trailers for advance theater advertising. The producer agrees to use all possible and diligent efforts in the utmost of good faith in an endeavor to avoid said photoplays being censorable in any part [964] of the world or offending the traditions or prejudices of any nation, creed, or country. If the commercial marketability of any of the photoplays to be produced hereunder and/or of any other photoplay or photoplays produced by Metro or distributed by the distributor shall be materially affected because any of the photoplays to be produced hereunder offend the traditions or prejudices of any nation, creed, or country, the producer agrees to make such changes (even for distribution in the United States) in and to such photoplay produced hereunder as may be required to eliminate the cause thereof. If the exigencies of the case so require, Metro may entirely or partially withhold from distribution the particular photoplay produced hereunder concerning which such question has arisen.

20. Metro shall advise the producer daily as to the cost of production to date; it being understood, of course, that the information so furnished by Metro will be as accurate an estimate as may be reasonably possible; but such statements or esti-

mates shall in no wise be binding upon either of the parties hereto, nor shall Metro be accountable for or prejudiced by any error or errors appearing in such statements or estimates. Within sixty (60) days following the completion of each photoplay, or as soon after the expiration of said sixty days as may be reasonably possible, Metro shall deliver to the producer a statement showing the certified cost of production of such photoplay to the extent that figures then available will show such cost. At any time and from time to time thereafter, as and when further items appear which may be chargeable against the cost of production of such photoplay, the same shall be so charged and the cost of production altered accordingly. Access shall be given at all reasonable times by Metro to the producer to the books, records, and accounts of Metro, so far as they pertain to the production [965] of such photoplays, so that the producer, or its representatives, may check and audit the certified cost of production. Should any errors be disclosed by reason of such audit or otherwise, a proper adjustment shall be made by the parties hereto. Metro agrees to keep full, true, and accurate books of account in the customary form and manner of all costs, expenses, and charges in detail incurred in the production of each of said photoplays and to preserve all original records, memoranda, and vouchers relating to such costs, expenses, and charges and to the production of said photoplays. In the event that it is necessary for the producer to advance any money, as hereinabove in paragraph 11 provided, all such money

shall be paid by the producer to Metro as in said paragraph provided, and no obligation shall be incurred by it or disbursement made except through Metro; and all records, memoranda, or vouchers relating to any costs, expenses, or charges made or incurred by the producer, if delivered to the producer for any reason whatsoever by any third party, shall immediately be delivered by the producer to Metro.

21. Within a reasonable time after the delivery to the distributor at New York of the domestic negatives and sample positive prints of each photoplay, such photoplay shall be released for distribution in the United States. The charges to be made by the distributor (in addition to those specified in subdivisions (a) to (d), both inclusive, of paragraph 25 hereof), and the principal conditions governing distribution, shall be substantially as follows, to-wit:

(a) The distributor shall retain, as compensation for its services as such, thirty per cent (30%) of the gross receipts received by it from the distribution in the United States, including Hawaii and Alaska but not its other territorial possessions, of each photoplay. In all other territories throughout [966] the world the distributor shall be entitled to deduct from all receipts actually collected by it from the sale, use, rental, or other disposition of each such photoplay in such territories, the following, to-wit: the actual costs and expenses of the distribution, sale, use, rental, or other disposition of photoplays in each such territory, together with an amount

equal to fifteen per cent (15%) of the receipts actually collected by it from such foreign territories to cover the expenses for maintenance of the distributor's foreign distribution department in its New York offices. The balance remaining after the deduction of said thirty per cent (30%) for domestic distribution and after the deduction of the amounts hereinabove referred to for foreign distribution shall be paid to Metro by the distributor and applied in the manner hereinafter in paragraph 25 provided.

(b) The distributor shall agree to furnish and supply, at its own cost and expense, ordinary and usual trade journal advertising, but shall not be required to pay for special exploitation or advertising.

(c) The distributor shall permit the inspection of its books as hereinafter in paragraph 22 provided for.

(d) The distributor shall, at its own cost, furnish for distribution to the exhibitors in the United States an adequate supply of first class lithographs and other accessories. The distributor may sell, rent, or otherwise dispose of, to exhibitors or to others, any and all such lithographs and other accessories, and all moneys realized from such sale, rental, or other disposition shall belong to and be retained by the distributor; but no loss incurred in connection therewith shall be charged to the producer.

(e) The distributor shall have the right to synchronize to sound effect and music each of the photoplays to be produced [967] hereunder, and shall

recover the cost thereof as hereinafter in paragraph 25 subdivision (c) provided.

(f) The distributor shall have the right, if it so desires, to have songs and other musical compositions composed and written for use in connection with the exploitation of any of said photoplays. The distributor shall also have the right to have such songs and music published as sheet music and to have such songs and music reproduced mechanically as phonograph records or otherwise, and to license others so to do. All costs incurred by the distributor in connection with the foregoing may be recouped by the distributor as hereinafter in paragraph 25 subdivision (d) provided for, but any net profits remaining after all such expenses have been deducted shall be applied and disbursed in the manner and order hereinafter in paragraph 25 subdivisions (e) to (g), both inclusive, provided.

(g) Said photoplays shall be distributed pursuant to such other terms and conditions as are ordinarily or reasonably practiced or required by distributors and so-called national distribution corporations.

22. Metro shall furnish the producer, monthly during the first eighteen (18) months of the distribution of each photoplay hereunder and quarterly thereafter, full, accurate, and detailed reports of all money received and business done by the distributor as to each photoplay, together with the application thereof, and shall likewise furnish to it duplicates of all reports delivered to it by the distributor in connection with the bookings and gross

income from such photoplays, such duplicate reports to be delivered by Metro to the producer within one (1) week after the same have been received by Metro. If any amounts are shown by such reports to be due the producer, checks in the amounts so shown to be due shall be delivered to the producer not later than two (2) weeks after such reports are furnished. The producer may, through certified public accountants or duly authorized representatives, inspect [968] the books and records of Metro, as well as of the distributor, so far as they relate to the photoplays to be produced hereunder, at reasonable times during office hours.

23. It is agreed, however, that in the event of any laws, decrees, kontingents, compensations, quotas, rates of exchange, inflation or deflation of currency, unstable governments, war, riots, strikes, boycotts, anti-American agitation, national, class, racial, or religious upheavals, epidemics, or any other event of a general nature beyond the control of the distributor affecting business in general or the motion picture business in particular in any territory in the world, which shall increase the cost of distribution in such territory beyond the percentages hereinabove in paragraph 21 subdivision (a) provided to be paid for distribution, the distributor shall have the rght to withhold and keep a percentage of the total gross receipts received by it from all sources in such territory which shall equal the actual cost of distribution to the distributor in such territory during the continuance of such event beyond its control.

24. It is distinctly understood and agreed by and between the producer and Metro that the distributor shall have the exclusive, sole, and complete right (without let or interference by any third party or by the producer) to distribute each of said photoplays throughout all countries and parts of the world, in perpetuity (except as in paragraph 28 hereof provided). The producer recognizes that the distributor distributes a large quantity of photoplays each year, that most of such photoplays are made for the distributor by Metro, which is a subsidiary of the distributor, and that the distributor and its subsidiaries, and officers, directors, and stockholders, of the distributor and its subsidiaries, own theaters and chains of theaters in which the photoplays to be produced and delivered hereunder will be exhibited. [969] Because of the foregoing and because of the circumstances surrounding the distribution of a large number of photoplays, the inherent difficulties and uncertainties of ascertaining proper exhibition values and contract prices for photoplays, and because the producer recognizes that the best results will be obtained if the distributor is given complete authority, the producer is willing to and does hereby vest in the distributor the right to distribute said photoplays under any plan or plans under which the distributor now distributes or hereafter *many* distribute photoplays produced by Metro, including, of course, the right to lease each photoplay to be produced hereunder and to make all booking, leasing, and/or rental contracts for the exhibition thereof, the granting to

others of the right to distribute and exhibit positive prints of each of said photoplays, the right to make, alter, or cancel contracts involving the distribution or exhibition of said photoplays, or any of them, and the right to adjust and settle all disputes with exhibitors, licensees, and other persons, including the right to make allowances to exhibitors, licensees, and other persons and the right to give credit in connection with any transaction and to adjust claims therefor. The foregoing rights shall apply both to the domestic territory and to all foreign territories. It is the intent and purpose of this agreement that absolute and sole control and discretion with reference to all matters involving the distribution of the photoplays to be produced by the producer hereunder shall be vested solely and exclusively in the distributor and shall be exercised by the distributor in such manner as in its sole judgment and discretion may be deemed consistent with the requirements of good business practice; but it is distinctly understood and agreed that the distributor's judgment and discretion with reference to such matters and all acts done by the distributor shall be exercised [970] and done honestly and in good faith.

25. The sums remaining after the charges hereinabove in paragraph 21 subdivision (a) referred to have been deducted, as to each respective photoplay, shall be applied and disbursed as follows, in the order designated:

(a) First, in repayment of the distributor's dues to Motion Picture Producres and Distribu-

tors of America, Inc. on account of such photoplay.

(b) In repayment of censorship fees and expenses, and in repayment to the distributor of charges such as those for trailers, reels, cans, containers, transportation, insurance, imposts, duties, and taxes directly resulting from its distribution of said photoplays, and such other charges as are customarily charged by distributors to producers.

(c) Thereafter, in repayment of the cost of original and replacement positive prints for distribution and of the charges covering color photography or special color printing, and of the cost of sound effect and musical synchronization hereinabove in paragraph 21 subdivision (e) provided for. None of said items, however, shall be included as part of production cost.

(d) Thereafter, in repayment of the cost of special advertising and exploitation and in repayment of the costs and expenses incurred pursuant to the provisions of paragraph 21 subdivision (f) thereof.

(e) Thereafter, for the concurrent and proportionate recoupment of the items hereinafter in this subdivision (e) specified.

(1′) In repayment of all sums of money advanced and charges made by Metro in connection with such photoplay; and, in addition, the further sum of One Hundred Seventy-Five Thousand Dollars ($175,000.00) shall be paid to and retained by Metro in the case of each Class "A" photoplay, and the further sum of One Hundred Fifty Thousand Dollars ($150,000.00) shall be paid to and retained

by Metro in the case of each Class "B" photoplay. [971]

(2′) If the producer shall have advanced any moneys for production cost, as hereinabove in paragraph 11 provided, then

(a′) In the case of a Class "A" photoplay, such advances so made by the producer up to, but not in excess of One Hundred Seventy-five Thousand Dollars ($175,000.00) shall be paid to the producer concurrently with the recoupment by Metro and the payment to Metro of its advances and charges in connection with such photoplay; and for the purpose of this paragraph 25 and of paragraph 26 of this agreement alone, the sum of One Hundred Seventy-five Thousand ($175,000.00) Dollars to be paid to and retained by Metro in the case of each Class "A" photoplay, as hereinabove in sub-paragraph (1′) of subdivision (e) of this paragraph 25 provided, shall be deemed to be an advance made by Metro. Out of each dollar so recouped or retained, the amount paid to the producer shall bear the same ratio to the amount recouped and retained by Metro as the amount contributed by the producer (but not in excess of One Hundred Seventy-five Thousand Dollars ($175,000.00) bears to the amount advanced by Metro, including, of course, the One Hundred Seventy-five Thousand Dollars ($175,000.00) to be paid to and retained by Metro as hereinabove in subparagraps (1′) of subdivision (e) of this paragraph 25 provided.

(b′) In the case of a Class "B" photoplay, such advances so made by the producer up to, but not in

excess of One Hundred Fifty Thousand Dollars ($150,000.00) shall be paid to the producer concurrently with the recoupment by Metro and the payment to Metro of its advances and charges in connection with such photoplay; and for the purpose of this paragraph 25 and of paragraph 26 of this agreement alone, the sum of One Hundred Fifty Thousand Dollars ($150,000.00) to be paid to and [972] retained by Metro in the case of each Class "B" photoplay, as hereinabove in sub-paragraph (1′) of subdivision (e) of this paragraph 25 provided, shall be deemed to be an advance made by Metro. Out of each dollar so recouped or retained, the amount paid to the producer shall bear the same ratio to the amount recouped and retained by Metro as the amount contributed by the producer (but not in excess of One Hundred Fifty Thousand Dollars ($150,000.00) bears to the amount advanced by Metro, including, of course, the One Hundred Fifty Thousand Dollars ($150,000.00) to be paid to and retained by Metro as hereinabove in sub-paragraph (1′) of subdivision (e) of this paragraph 25 provided.

(f) Thereafter, in repayment of all sums in excess of One Hundred Seventy-five Thousand Dollars ($175,000.00) on Class "A" photoplays and in excess of One Hundred Fifty Thousand Dollars ($150,000.00) on Class "B" photoplays advanced by the producer as required under the provisions of paragraph 11 hereof.

(g) All funds thereafter accruing shall be called "profits," and be divided between Metro and the producer as follows:

(1′) In the case of Class "A" photoplays, sixty per cent (60%) thereof shall be retained by Metro and an amount equal to forty per cent (40%) thereof shall be paid to the producer.

(2′) In the case of Class "B" photoplays, fifty per cent (50%) thereof shall be retained by Metro and an amount equal to fifty per cent (50% thereof shall be paid to the producer.

26. All photopalys produced hereunder shall be considered as a unit for the purposes of recoupment. In the event that either party shall not be able to recoup itself in the order and manner hereinabove in paragraph 25 specified for its advances on any of such photoplays out of the available receipts of such photoplay (the balance remaining after the deduction of all [973] distribution charges hereinabove in paragraph 21 subdivision (a) and hereinabove in paragraph 25 subdivisions (a) to (d), both inclusive, specified being herein termed "available receipts"), it shall have the right to recoup itself out of the available receipts of the other photoplays (after all advances on account of such other photoplays have been recouped) for the deficiency on account of the advances on such unrecouped photoplay or photoplays, but all recoupment out of such other photoplays shall be in the order and manner hereinabove in paragraph 25 specified. The receipts payable on any one photoplay shall not be withheld to permit recoupment for unrecouped advances on another photoplay until eighteen (18) months have elapsed from the general American release date of the photoplay on account

of which such advances have not been recouped. Commencing eighteen (18) months after the release date of any photoplay as to which either party has not recouped its advances, the available receipts thereof and of any other photoplay as to which both parties hereto have recouped their advances shall be applied to enable the parties hereto to recoup their respective advances in the order and manner hereinabove in paragraph 25 specified. Any moneys paid to or retained by either Metro or the producer as their share of the profits of any photoplay as to which both parties have recouped their advances shall be respectively repaid, ten (10) days after notice, and used for the purpose specified in this paragraph 26.

27. In the event of the reissue at any time prior to the readjustment provided for in paragraph 28 hereof of any of the photoplays to be produced hereunder, the producer shall be entitled to the percentages provided for in paragraph 25 to be paid to the producer, but shall not be entitled to any other compensation or remuneration in connection therewith. Nothing herein contained shall be construed to obligate Metro to reissue [974] any of said photoplays. Prior to the readjustment provided for in paragraph 28 hereof as to any photoplay, such photoplay shall not be remade, nor shall the motion picture rights in or to the literary or dramatic material upon which the same is based be sold, without the written consent of both of the parties hereto.

28. It is understood and agreed that at the expiration of the tenth year following in each instance

the date of the first American general release of each of the photoplays to be produced hereunder the foreign and domestic negatives and all positive prints of such photoplays which Metro may have on hand or under its control shall be disposed of in a manner to be mutually agreed upon by both of the parties hereto, and in the event that said parties cannot agree, Metro shall, as to the first photoplay, submit to the producer in writing the amount of cash for which it is willing to sell to the producer Metro's interest in such photoplay, including Metro's rights in the literary material and copyrights thereon, and Metro agrees that in the event of the refusal of the producer to pay such sum within thirty (30) days thereafter, Metro will pay to the producer such amount, in the case of a Class "A" photoplay, for all of the producer's right, title, and interest in and to such photoplay and for its interest in the net profits of such photoplay; and as to the second photoplay, the producer shall so name and submit to Metro in writing the amount of cash for which it is willing to sell to Metro its interest in such photoplay and the proceeds thereof, and the producer agrees that in the event of the refusal or failure of Metro to pay such sum within thirty (30) days thereafter, the producer will pay to Metro such amount, in the case of a Class "B" photoplay, or such amount plus a further amount equal to fifty per cent (50%) thereof in the case [975] of a Class "A" photoplay, for Metro's interest in such photoplay. The procedure relative to the third photoplay shall be the same as that hereinabove provided for with reference to the first photoplay. It is intended

that the party so making such offer shall purchase the rights of the other party in and to said respective photoplays, and the party to whom such offer is made shall sell such rights to the other party, upon the refusal or failure to purchase such rights by the party to whom such offer is made, all as aforesaid. The foregoing provisions of this paragraph, however, shall not apply to any photoplay in the event that upon the expiration of such tenth year either party hereto shall not have fully recouped all amounts as to which it is entitled to recoupment from the proceeds of such photoplay; but upon such recoupment the provisions hereinabove in this paragraph 28 provided shall apply.

29. The producer agrees that it will conscientiously and in good faith use great care to see that before commencing production on any photoplay full and proper copyright and the motion picture rights and all other necessary rights in and to all literary material used by it in the production of any photoplay hereunder shall be free and clear; and that such literary material shall not infringe upon the copyright or any other right or rights of any person, firm, or corporation whatsoever. If it should be necessary to prosecute any suit or action against any third party in the case of any infringement or attempted infringement or unfair trade or competition by such third parties, involving any of said photoplays; or if any third party sues or threatens to sue the producer or Metro for any infringement or any copyrights or title or interest in any literary

material used in any of said photoplays, or because of unfair trade or competition respecting such photoplays, then and in that event [976] the parties hereto shall jointly defend or prosecute such suits or actions, as the case may be; and all costs, expenditures, attorneys fees, damages, and judgments made, suffered, or incurred by Metro and/or the producer shall be borne and paid by the parties hereto as follows: as to any Class "A" photoplay, sixty per cent (60%) thereof shall be paid by Metro and forty per cent (40%) thereof shall be paid by the producer; and as to any Class "B" photoplay, fifty per cent (50%) thereof shall be paid by Metro and fifty per cent (50%) thereof shall be paid by the producer. Such payments shall be made by each of the parties in cash, at the time or times required, in connection with the prosecution or defense of any such suits or threatened suits, and neither party shall be entitled to recoupment for its proportionate share of such costs, expenditures, attorneys fees, damages, or judgments. In the case of any recovery by Metro and/or the producer against third parties by reason of such suits, the proceeds from such recoveries shall be divided between Metro and the producer in like manner, to-wit; as to any Class "A" photoplay, sixty per cent (60%) thereof shall be paid to Metro, and forty per cent (40%) thereof shall be paid to the producer; and as to any Class "B" photoplay, fifty per cent (50%) thereof shall be paid to Metro and fifty per cent (50%) thereof shall be paid to the producer. In no event shall either

party hereto be liable under the provisions of this paragraph 29 for any fees paid to any attorney or attorneys other than such attorney or attorneys as may be retained by the mutual consent of the parties hereto.

30. Should Mr. DeMille become incapacitated, by physical or mental disability or illness or otherwise, from rendering the services to be performed by him hereunder, and should such incapacity continue for an aggregate of periods of [977] more than six (6) weeks, or for a continuous period of four (4) weeks after the commencement of photographing of any photoplay, Metro may abandon the production of such photoplay, or, at its option, Metro shall have the right, but not the obligation, to complete such photoplay and to employ another director to direct the same. In any such case of incapacity, if Metro abandons the production of such photoplay the term of this agreement shall be extended for a period equivalent to the period or aggregate of periods of such incapacity, and the photoplay so abandoned shall not constitute one of the three photoplays herein provided for, except for recoupment purposes, as hereinafter in this paragraph 30 expressly provided. If Metro elect to complete any photoplay and to employ another director to direct the same after such incapacity on the part of Mr. DeMille, then the photoplay so completed by Metro shall be and be deemed to be one of the three (3) photoplays to be produced hereunder. During any period of incapacity on the part of Mr. DeMille,

Metro, at its option, may suspend all payments of compensation referred to in paragraph 13 hereof, but upon the resumption by Mr. DeMille of his services hereunder (if Metro shall not have abandoned production as to such photoplay) Metro shall proceed to make payments as herein provided. This agreement may likewise be terminated by Metro at any time in the event of Mr. DeMille's death. If prior to the expiration of any aggregate of periods of six (6) weeks or of any continuous period of four (4) weeks of incapacity on Mr. DeMille's part it is apparent that such incapacity will continue beyond an aggregate of periods of six (6) weeks or continuous period of four (4) weeks, then Metro may forthwith exercise any rights which it would otherwise be entitled to exercise after the expiration of such aggregate of periods of six (6) weeks or of such continuous period of four (4) weeks. Should Metro, in the event of such illness or [978] incapacity on the part of Mr. DeMille, exercise the right hereinabove granted to it of completing any photoplay the photographing of which was commenced by Mr. DeMille, and of employing another director to direct the same, the producer shall retain its right to receive an amount equal to the respective percentages of the net proceeds to which it is entitled under the provisions of subdivision (g) of paragraph 25 hereof; but Metro shall not be obligated to make any further payments to the producer under the provisions of paragraph 13 hereof until the completion of production of such photoplay, at which time Metro shall deduct from the total amount

of compensation due the producer under the provisions of said paragraph 13 the amounts theretofore paid to the producer under the provisions of said paragraph 13 and also the amounts paid by Metro to any other director or directors employed by Metro in completing the production of such photoplay, and shall then pay the balance then remaining, if any, to the producer. Such photoplay may, of course, be advertised as having been produced by the producer and directed by Mr. DeMille. If the production of any photoplay to be produced hereunder be abandoned, either because of the death of Mr. DeMille at any time either prior to or after commencement of photographing, or because of illness or incapacity on the part of Mr. DeMille during the photographing thereof, then all charges accrued on account of such photoplay so abandoned shall be charged to and become a part of, and be recouped in the same manner as, the cost of production of the next preceding photoplay theretofore completed. In no event shall the addition of such charge, if the same cause the cost of production of such preceding photoplay to exceed the maximum limitations hereinabove set forth, impose upon the producer any obligation to advance such excess, but any excess so caused shall be recouped by Metro [979] in the same manner as its other advances in connection with such photoplay are recouped. If, however, Metro elect to exercise the right hereinabove in this paragraph 30 granted to it, of completing any photoplay and of employing another director to direct the same, and if the cost of pro-

duction of such photoplay so completed by Metro shall exceed the maximum limitations hereinabove in paragraph 11 specified, then all questions as to the payment in the first instance, and the recoupment, of any such excess above such maximum limitations shall be determined by arbitrators to be selected as hereinafter provided.

31. Metro shall furnish to the producer one complete positive print of each photoplay produced by the producer hereunder, and the producer agrees that said print will be used for private purposes only and will never be publicly exhibited or exhibited in any case for profit. The cost of the positive print of each photoplay to be furnished by Metro to the producer as in this paragraph provided shall be paid by the producer to Metro and shall not be charged to production cost nor recouped by the producer in any manner.

32. (a) Notwithstanding anything elsewhere contained in this agreement, it is understood and agreed that Metro shall have the right at any time to terminate this agreement as to any photoplays upon which the photographing has not been commenced, by serving notice in writing of such termination upon the producer at any time but not later than thirty (30) days after the completion of any photoplay hereunder. If such notice shall be received by the producer during the photographing of any photoplay, then and in that event such notice shall be effective upon the completion of production of the photoplay then being photographed; if, however, such notice is received by the producer prior to the

commencement of photographing of any photoplay and not later than [980] thirty (30) days after the completion of the next preceding photoplay, then such notice shall take effect immediately. In no event shall any expense or obligation whatsoever be incurred by the producer after the receipt of such notice of termination in connection with any photoplay or photoplays as to which this agreement is so terminated. In the event of any such termination of this agreement by Metro the rights and obligations of the parties hereto under this agreement in and to all photoplays produced prior to the effective date of such termination shall continue and remain in full force and effect; it being agreed that such termination shall merely relieve the parties hereto of any and all rights and obligations as to any photoplays not then completed. It is further agreed that this right of termination shall be vested solely in Metro and that the producer shall have no such right to terminate this agreement (except in the manner hereinafter provided in subdivision (b) of this paragraph 32 specified) by reason of the fact that such right on the part of the producer would jeopardize Metro's right to recoupment from the proceeds of subsequent pictues. In the event of any termination of this contract by Metro, the producer shall have the right, at its option, to purchase from Metro, and Metro shall be obligated to sell to the producer, any literary or dramatic material theretofore purchased or prepared for use in connection with any photoplay as to which this agreement shall have been terminated; and the price to be paid by the

producer to Metro for such material shall be an amount equal to the aggregate of all charges accrued in connection with the photoplay in connection with which such material was intended for use hereunder. If this right or option is not exercised by the producer and the material so purchased by it, then all charges accrued on account of any photoplay as to which this contract may be terminated shall be charged [981] to and become a part of, and be recouped in the same manner as, the cost of production of the next preceding photoplay theretofore completed. In no event shall the addition of such charge, if the same cause the cost of production of such preceding photoplay to exceed the maximum limitations hereinabove set forth, impose upon the producer any obligation to advance such excess, but any excess so caused shall be recouped by Metro in the same manner as its other advances in connection with such photoplay are recouped.

(b) In the event of any failure on the part of Metro to carry out or perform any of the terms of this agreement required to be done or performed by it, and if such failure or default shall continue for a period in excess of ten (10) days after the receipt by Metro of written notice of the alleged default, the producer shall have the right to terminate this agreement, provided, however, that the producer shall not have the right to terminate this agreement by reason of any default of an immaterial, trivial, or inconsequential nature or by reason of any default that cannot be cured or remedied unless such latter default materially affects the rights of the

producer hereunder. In the event that Metro claims that it is not in default, after receipt of notice thereof from the producer, or in the event that it claims that such default is insufficient to justify the termination of this agreement by the producer, the matter shall be determined by arbitrators to be selected as hereinafter in paragraph 33 provided, and such arbitrators, if they find in favor of the producer, in lieu of terminating this agreement may impose such terms and conditions on Metro as to them may seem fit, and the prompt performance and satisfaction by Metro of such terms and conditions shall entitle Metro to continue this agreement in full force and effect, as though no such default had occurred. [982]

33. (a) Wherever arbitration is provided for under this agreement the same shall be conducted in the city of Los Angeles, California. Unless otherwise herein expressly provided, such arbitration shall be initiated by either party by appointing an arbitrator and serving a written notice upon the other party naming such arbitrator and setting forth the matter or situation concerning which a dispute, controversy, contention, or claim exists or is claimed to exist and concerning which a determination is sought in said arbitration. Such notice shall be served either personally or by registered mail, addressed to such other party. Within five (5) days after the service of such notice, if served personally, or within seven (7) days after such notice is mailed, if sent by registered mail, the party upon whom such notice is served shall appoint an arbi-

trator and serve upon the other party a notice naming the arbitrator so appointed, such notice to be served personally or by registered mail. In the event that such second arbitrator is not so named by the party required to name such arbitrator, then and in such case the party who has named the first arbitrator may also name such second arbitrator, and in such event the party so naming said second arbitrator shall serve upon the other party a notice stating that it has appointed such second arbitrator and naming such arbitrator, such notice to be served personally or by registered mail. Personal service of notice hereunder shall be deemed to mean personal service upon any officer of the party to be served.

(b) The two arbitrators so elected shall immediately try to reach a decision and determination by mutual agreement [983] with respect to the dispute, controversy, contention, or claim submitted to arbitration, and such decision and determination shall be expressed in writing and signed by the arbitrators. In the event that within a period of thirty (30) days said arbitrators fail to reach such decision and determination by mutual agreement, they shall, within seven (7) days after the expiration of said thirty (30) days, or sooner if possible, mutually agree upon am umpire, and if they fail mutually to agree upon such umpire, either party shall have the right to apply to DR. A. H. GIANNINI OF NEW YORK CITY who shall appoint such umpire. The decision and determination of such umpire shall be made as promptly as practical, such decision and

determination to be expressed in writing. The costs and expenses of such arbitration shall be borne equally by the parties unless the decision and determination of the arbitrators or the umpire, as the case may be, shall determine otherwise, in which latter event the cost and expenses shall be borne as provided in such decision and determination. Such arbitration shall, so far as is consistent with this paragraph, be conducted pursuant to and in accordance with the Arbitration Law of the State of California.

34. No waiver by either party of any breach of any covenant or provision of this agreement shall be deemed to be a continuing waiver or a waiver of any succeeding or preceding breach of the same or any other covenant or provision.

35. It is agreed that all notices to be given by either party to the other hereunder shall be by registered mail addressed as follows:

Cecil B. DeMille Productions, Inc.
#4 Laughlin Park, Hollywood
Los Angeles, California. [984]
Metro-Goldwyn-Mayer Corporation
Culver City, California.

Either party shall have the right to change such address by writtenn notice given from time to time.

36. It is agreed that nothing in this agreement contained shall be held to constitute the parties hereto as partners or joint venturers, or authorize either of the parties to contract any debt or obligation for, against, or on behalf of the other.

37. It is agreed that this agreement is entire and complete and contains all understandings between the parties regarding the subject matter thereof, and that no representations or warranties of any kind or nature have been made by either party to induce the making of this agreement, except as herein set forth.

38. As partial consideration for the execution of this agreement by the producer, Metro agrees, within thirty (30) days after the date of the execution of this agreement, to obtain and deliver to the producer an agreement executed by Metro-Goldwyn-Mayer Distributing Corporation, the distributor named herein, guaranteeing to the producer the faithful performance by Metro of each and all of its obligations hereunder. It is agreed that any obligation herein contracted for by Metro, and any act or thing provided to be done by Metro hereunder, may be fulfilled, done, or performed by the distributor, which shall constitute performance by Metro.

39. The producer agrees that as a condition precedent to any obligation on the part of Metro hereunder the producer will obtain the signature and due acknowledgment of this agreement by Mr. DeMille at the bottom of this agreement after the word "agreed," and the signature of Mr. DeMille so obtained and affixed hereto shall constitute a binding obligation and agreement on the part of Mr. DeMille to carry out and fulfill each [985] and every obligation on his part to be carried out and fulfilled pursuant to and as provided in this agreement.

IN WITNESS WHEREOF the parties hereto have executed this agreement the day and year first above written.

CECIL B. DE MILLE PRODUCTIONS, INC.

[Signed] By CECIL B. DE MILLE, Pres.

METRO-GOLDWYN-MAYER CORPORATION

[Signed] By LOUIS B. MAYER
Vice President

Agreed:

CECIL B. DEMILLE [Signed] [986]

The undersigned, CECIL B. DE MILLE, in consideration of the execution by Metro-Goldwyn-Mayer Corporation of the foregoing agreement between said Metro-Goldwyn-Mayer Corporation and Cecil B. DeMille Productions, Inc., does hereby undertake and guarantee, to and for the benefit of said Metro-Goldwyn-Mayer Corporation, that said Cecil B. DeMille Productions, Inc. will carry out, conform to, and comply with each and every term, covenant, condition, and obligation on its part to be complied with, made, done, or performed under the provisions of said agreement; and that in the event that said Cecil B. DeMille Productions, Inc., shall fail so to do in any particular, the undersigned, Cecil B. DeMille, individually, will carry out and perform the same.

IN WITNESS WHEREOF, I have hereunto set my hand this 31st day of July, 1928.

[Signed] CECIL B. DeMILLE
(Cecil B. DeMille) [987]

PETITIONER'S EXHIBIT 13

[Endorsed]: Admitted in evidence Dec. 14, 1933.

April 13, 1928.

SUMMARY OF EQUIPMENT LIST
for
Mr. C. B. deMille

	Replacement Cost	Depreciated value 12-31-27	Proposed Transfer Value
Transportation	$ 6,348.00	$ 3,289.32	$ 4,820.16
Motor Generators	24,000.00	17,750.00	20,875.00
Wind Machines	3,250.00	2,775.00	3,012.50
Camera Equipment	16,105.25	11,811.00	13,958.11
Electrical Equipment	31,468.00	25,183.65	28,325.85
Grip Equipment	2,299.14	2,110.25	2,204.69
Effects & Min. Equipment	9,265.75	7,666.66	8,466.20
Cutting Room Equipment	1,877.00	1,501.60	1,689.30
Set Equipment	809.00	780.00	794.50
Research Equipment	2,773.30	2,218.64	2,495.97
Property Equipment	4,093.30	4,093.30	4,093.30
Wardrobe Equipment	7,811.17	5,912.40	6,861.79
Miscl. Equipment	2,520.93	2,284.34	2,402.63
TOTAL	$112.620.84	$ 87,376.16	$100,000.00

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EQUIPMENT LIST
For Mr. C. B. deMille

	Replacement Cost	Depreciated value 12-31-27	Proposed Transfer Value
TRANSPORTATION EQUIPMENT			
1. Amer.-LaFrance 5-ton truck) 1926 eng. 2RP1763 lic. 195003)	$ 5,400.00	$ 2,970.00	$ 4,185.00
1 Fordson Tractor—1925; eng. No. 534442—lic. 56129	948.00	322.32	635.16
	6,348.00	3,289.32	4,820.16

EQUIPMENT LIST

For Mr. C. B. deMille

		Replacement Cost	Depreciated value 12-31-27	Proposed Transfer Value
MOTOR GENERATORS				
1	Allis-Chalmers Generator set & trailer; motor #117256; generator No. 119466; Gen. #117256	16,000.00	12,000.00	14,400.00
1	Packard Generator set, motor No. 6536	6,500.00	3,900.00	5,200.00
1	Liberty breakdown motor for above—motor #38246	1,500.00	1,050.00	1,275.00
		24,000.00	17,950.00	20,875.00
WIND MACHINES				
3	Rotary motor wind machines: LeRone #SC 36601) " " 35688) " " 35723)	2,550.00	2,295.00	2,422.50
1	Electric wind machine: Serial #2451109S; style 172406A	200.00	130.00	165.00
1	Henderson wind machine, motor No. 2Z4375	500.00	350.00	425.00
		3,250.00	2,775.00	3,012.50
CAMERA EQUIPMENT				
1	Bell & Howell Camera & Equipt.)			
1	Mitchell Camera & Equipt. as per) "Marley list" attached)	8,804.25	6,177.00	7,490.62
1	Bell & Howell camera & Equipt. as per "Westerberg list" attached	2,752.50	1,893.00	2,322.75
1	Mitchell camera & equipt. as per "Miller list" attached	3,520.50	2,714.25	3,117.37

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EQUIPMENT LIST

For Mr. C. B. deMille

		Replacement Cost	Depreciated value 12-31-27	Proposed Transfer Value
CAMERA EQUIPMENT (continued)				
1	Graflex camera & equipt. as per list attached	$ 258.75	$ 285.50	$ 272.12
1	Action still camera & equipt. as per list attached	609.25	581.25	595.25
1	Motion picture still camera and enlarger No. 3763	160.00	160.00	160.00
		16,105.25	11,811.00	13,958.11
ELECTRICAL EQUIPMENT (per list attached)				
6	BA 24" sun arcs	12,600.00	10,080.00	11,340.00
2	" 36" " "	7,000.00	5,600.00	6,300.00
12	" 80 Amp Rotary spotlights	4,500.00	3,600.00	4,050.00
1	Creco 70 Amp spotlight	125.00	100.00	112.50
3	Olsen 35 " baby spotlights	135.00	108.00	121.50
5	MR 18" sunspots 2000 W	875.00	700.00	787.50
6	WK double side lamps 2000 W	222.00	177.60	199.80
10	Creco brackets	5.00	4.00	4.50
6	WK single side lamps 1000 W	180.00	144.00	162.00
12	WK broads	1,200.00	900.00	1,050.00
5	Creco scoops	375.00	281.25	328.15
30	Frost frames for spotlights	19.50	15.60	17.55
40	Brackets for spots	20.00	16.00	18.00
50	Florentine glass diffusers for broads	162.50	130.00	146.25
50	Silk diffusers for broads	75.00	60.00	67.50
10	Spiders	110.00	88.00	99.00
2	4-position remote control portable switchboards	880.00	792.00	836.00
4	sets differential chain hoists, 2 with 35′ and 2 with 45′ lifts	280.00	224.00	252.00
600	ft. 4-0 Dura cable	444.00	355.20	399.60
17	Plugging boxes	1,700.00	1,360.00	1,530.00
16	3 wire extensions	560.00	448.00	504.00
		31,468.00	25,183.65	28,325.85

EQUIPMENT LIST

For Mr. C. B. deMille

		Replacement Cost	Depreciated value 12-31-27	Proposed Transfer Value
GRIP EQUIPMENT				
1	Lot 198 yds. velvet V22	373.44	373.44	373.44
3	20'x45" velvet drops V12-V18	1,170.00	1,170.00*	585.00
	Grip equipt. as per list	755.70	566.81	661.25
		2,299.14	2,110.25	2,204.69

*Appraisal depreciated figures are more than cost

EFFECTS & MINIATURE EQUIPMENT				
1	Cosgrove printer No. 405B	1,195.35	1,104.86	1,150.10
	Equipt. as per list	7,412.00	6,068.00	6,740.00
	Fur. & Fix. as per list	658.40	493.80	576.10
		9,265.75	7,666.66	8,466.20

[990]

CUTTING ROOM EQUIPMENT				
	Ann Bauchens equipment, as per list	$ 1,573.00	$ 1,258.40	$ 1,415.70
1	Splicer No. D-244	285.00	228.00	256.50
2	Sets rewinds Nos. D245-246	19.00	15.20	17.10
		1,877.00	1,501.60	1,689.30

SET EQUIPMENT				
1	Telephone system as follows:) 6 field pcs. marked "CB" on) leather case) 11 head sets painted "Red" on) one side of breast plate)	244.20	222.00	233.10
1	Set sirens No. 24462-24991	74.80	68.00	71.40
	Roy Burns equipt. per list	490.00	490.00	490.00
		809.00	780.00	794.50

EQUIPMENT LIST
For Mr. C. B. deMille

	Replacement Cost	Depreciated value 12-31-27	Proposed Transfer Value
RESEARCH EQUIPMENT			
1 Lot of books, per list	2,773.30	2,218.64	2,495.97
PROPERTY EQUIPMENT			
1 Lot of props, per list	4,093.30	4,093.30*	4,093.30

*Appraisal depreciated figures are more than cost.

WARDROBE EQUIPMENT			
Completed wardrobe, per list	3,607.20	1,803.60	2,705.40
Used jewelry " "	528.75	433.58	481.17
New jewelry " "	299.25	299.25	299.25
New raw material " "	3,375.97	3,375.97	3,375.97
	7,811.17	5,912.40	6,861.79
MISCELLANEOUS EQUIPMENT			
2 Machine guns & tripods) No. 1298 & No. 211) No. 2097 & No. 211)	155.00	155.00	155.00
1 Willys-Knight public address, Eng. No. E4638; lic. #351307	2,365.93	2,129.34	2,247.63
	2,520.93	2,284.34	2,402.63

[991]

MARLEY EQUIPMENT

		Inventory Number	Replacement Cost	Depreciated Value
1 Mat box and filter holder		92	$ 50.00	$ 50.00
1 G. H. 50 MM Lens	#392355	93	85.00	40.00
1 G. H. 40 MM Lens	392996	94	85.00	40.00
1 B. L. 50 MM Lens	2-7	97	110.00	40.00
1 Cooke 5″ Lens	60766	98	176.00	50.00
1 Carl Zeiss 100 MM Lens	351513	99	140.00	50.00
1 Carl Zeiss 150 MM Lens	379134	100	80.00	50.00
1 Krauss 8″ Lens	102243	102	50.00	50.00
1 Ross 11″ Lens	83084	103	75.00	75.00
1 B & H Camera	468	104	1,162.00	1,000.00
1 B & H Footage Counter	139	105	37.50	25.00
1 Prismatic Focusing Magnifier		106	24.00	30.00
1 Mitchell Finder	468-50	107	100.00	100.00
1 Finder Extension		108	5.00	5.00
1 Auxiliary Aperture Plates @ $25.00		109 A & B	20.00	50.00
1 Soft Iris Thalhammer Complete)		110		
1 Auxiliary Carrying Case)		111	200.00	200.00
1 Lge. Willat Slate		113	7.50	5.00
1 Gauze Mat Box 4 Way		114	7.50	5.00
1 B & H Baby Tripod	175E	116	35.00	25.00
1 Mitchell Sunshade Rebuilt		117	30.00	5.00
2 Mitchell Magazine Cases		118 A & B	80.00	20.00
3 B & H Magazine Cases		119 A-B-C	84.00	30.00
1 Mitchell Camera Carrying Case		120	25.00	25.00
1 B & H Combination Carrying Case		121	35.00	25.00
3 Miscellaneous Cases		122 A-B-C	60.00	30.00
1 Mitchell Test Box		124	55.00	15.00
1 Set of Aperture Vignettes		125	15.00	15.00
1 Mitchell Plate for B & H Head		126	20.00	20.00
1 Carl Zeiss Lens 50 MM	645411	156	85.00	85.00
1 Mitchell Tripod	33-127	127	250.00	200.00
1 Mitchell Camera	24	128	1,960.00	1,500.00

MARLEY CAMERA EQUIPMENT (Continued)

		Inventory Number	Replacement Cost	Depreciated Value
1 Carl Zeiss 40 MM Lens	452990	129	85.00	50.00
1 Carl Zeiss 50 MM Lens	411266	130	85.00	50.00
1 Carl Zeiss 75 MM Lens	402042	131	90.00	50.00
1 Mitchell View Finder	174	132	100.00	100.00
1 Carl Zeiss 6" Lens	379134	133	80.00	50.00
1 Sunshade		135	30.00	5.00
1 Miscellaneous Lens Case		136	15.00	5.00
1 Mitchell Magazines 137A to 137J inclusive			500.00	300.00
1 Footage Counter with Crank		139	39.00	25.00
1 Extra Prism		141	25.00	25.00
1 Tripod Jack		142	5.00	5.00
1 B & L 32 MM Lens	2494122	143	85.00	25.00
2 Finder Extension Plain		144 A & B	10.00	10.00
1 Set Diffusion Discs		146	5.00	.....
1 G. H. ¾" Lens	147-209	147	75.00	50.00
1 Astro 25 MM 1-8 Lens	1173	149	100.00	60.00
1 Astro 40 MM 2-3 Lens	552	148	100.00	60.00
				[992]
1 Astro 50 MM Lens	593	150	100.00	60.00
1 Astro 75 MM Lens 2-3	663	151	110.00	60.00
1 Mitchell Camera Crank		152	6.00	2.00
1 Mitchell Tripod Crank		154	3.50	2.00
1 Mitchell Tripod Crank		155	3.50	2.00
1 Mitchell Stop Motion Crank		158	6.00	2.00
1 Mitchell Magnifier		159	10.00	10.00
1 Hand Dissolver		161	2.00	2.00
1 Mitchell Tripod	73	163	250.00	200.00
1 B & H Pan Crank		164	2.75	2.00
1 Sliding Frame Gauze Matting Device		165	25.00	25.00
1 Spider Tripod	9	169	10.00	10.00

MARLEY CAMERA EQUIPMENT (Continued)

		Inventory Number	Replacement Cost	Depreciated Value
Spider Tripod	10	170	10.00	10.00
Chipping Block Device		171	60.00	10.00
Set Eastman Diffusion Discs		172	5.00	.....
Film Testing Machine		166	25.00	25.00
Mitchell Panoramic Head		173	250.00	150.00
Astro 75 MM Lens	798		110.00	60.00
Astro 50 MM Lens	852		100.00	60.00
Astro 40 MM Lens	811		100.00	60.00
Astro 100 MM Lens	1547		140.00	75.00
Mitchell Turret		175	20.00	15.00
Cooke 50 MM Lens	153656		136.00	85.00
B & L 40 MM 2-7 Lens	3210566	455	80.00	40.00
22″ Cooke Lens Mount & Case	30245C		352.00	300.00
Astro 75 MM F 1-8 Lens	1430		110.00	60.00
Tachar 50 MM F 1-8	1452	175C	100.00	60.00
Tachar 40 MM F 1-8	1420	175B	100.00	60.00
		TOTAL	$8,804.25	$6,177.00

[993]

WESTERBERG'S EQUIPMENT

			Replacement Cost	Depreciated Value
1	C. Zeiss 35 MM Lens	#427597	$ 85.00	$ 40.00
2	Magazine Cases	230A-230B	40.00	20.00
1	Miscl. Case	223	20.00	10.00
1	Changing Bag		5.00	—
1	Set of Aperture Vignettes	468-A	15.00	5.00
6	Bell & Howell Magazines	226-A to 226-F	270.00	150.00
1	B & H Camera	510	1,162.00	1,000.00
1	G & H 75 MM Lens	393213	90.00	30.00
1	Footage Counter	225	37.00	25.00
1	B & H Tripod	705	225.00	200.00
1	Prismatic Focusing Viewfinder	231	30.00	30.00
1	Set Wratten Filters	231-A	—	—
1	Set Diffusion Discs	221	15.00	15.00
1	Graf Variable 3"	1463132	150.00	25.00
1	B & L 40 m.m. 27 Lens	3210536	110.00	40.00
1	C. Zeiss 50 m.m. Lens	637681	85.00	40.00
1	Hand Dissolver	232	4.00	2.00
1	50' Tape	232-A	1.50	—
1	Tripod Crank	233-A	3.50	2.00
1	Tripod Crank	233-B	3.50	2.00
1	Camera Crank	234	6.00	2.00
1	Camera Jack	234-A	5.00	5.00
1	Carl Zeiss 88 c.m. Lens F 2.7	642231	95.00	50.00
1	Baby Tripod	235	35.00	25.00
1	Pathe Foensuig Magnifier	321717	25.00	25.00
1	Bell & Howell Viewfinder	C-10	150.00	100.00
1	G. & H. 500 MM Lens	452986	85.00	50.00
		TOTAL	$2,752.50	$1,893.00

[994]

MILLER CAMERA EQUIPMENT

		Inventory Number	Replacement Cost	Depreciated Value
Mitchell Camera	#23	44	$1,960.00	$1,500.00
Mitchell View Finder	174	49	100.00	100.00
Mitchell Magazines		53A to 53I, Inc.	450.00	270.00
Mitchell Tripod	135	51	250.00	200.00
Mat Box & Filter Holder		50	80.00	100.00
Mitchell Camera Case	34	57	25.00	25.00
Mitchell Magazine Cases		58A & 58B	40.00	20.00
50 ft. Focusing Tape		63G	1.50	1.25
Mitchell Tripod Cranks		59A & 59B	7.00	4.00
Mitchell Camera Cranks		60A & 60B	12.00	4.00
Mitchell Extension Arm		61	30.00	10.00
Mitchell Sunshade		50A	30.00	5.00
Cinemotor	K108	J91	250.00	200.00
Cinemotor Adaptor		24	50.00	50.00
2″ Lens Oval Iris Attachment		50B	200.00	200.00
Mitchell Baby Tripod	#558-C103	63	35.00	25.00
	TOTAL		$3,520.50	$2,714.25

[995]

GRAFLEX CAMERA & EQUIPMENT

	Inventory Number	Replacement Cost	Depreciated Value
R. B. Auto Graflex—4x5	S-17	$120.00	$100.00
6½x8½ Tessar 1 C Lens—3198310	S-18	105.00	100.00
Leather Carrying Case	S-19	12.75	10.00
4x5 Cut Film Magazine	S-20	15.50	15.50
4x5 Film Pach Adapter	S-21	5.50	5.00
TOTAL		$258.75	$230.50

[996]

ACTION STILL CAMERA OUTFIT (THOMAS)

	Inventory Number	Replacement Cost	Depreciated Value
Ansco View Camera	S-1	$ 70.00	$ 70.00
Packard Ideal Shutter	S-2	9.75	9.75
Graflex Focal Plane Shutter	S-3	41.00	41.00
Dallmeyer 19"—5D Lens #114753	S-4	132.00	132.00
Goerz Dagor Lens 36 CM in Compound Shutter #657022	S-5	210.00	192.00
Comb. Lens Shade & Filter Holder	S-6	20.00	20.00
Diffusion Disc A—#0	S-7	10.00	5.00
Diffusion Disc—#0	S-8	10.00	5.00
3" K1 Filter	S-9	3.75	3.75
3" K2 Filter	S-10	3.75	3.75
3" K3 Filter	S-11	3.75	3.75
3" A Filter	S-12	3.75	3.75
Mitchell Tripod (Still) B 240	S-13	25.00	25.00
Plate Holder Case (Wooden)	S-14	12.50	12.50
8 x 10 Film Holders 18 @ $3.00	S-15A to S-15R Inc.	54.00	54.00
TOTAL		$609.25	$581.25

[997]

		Studio No.	Serial No.	
ELECTRICAL EQUIPMENT				
6	BA Sun Arcs 24"	16	95	
		24	54	
		14	90	
		13	89	
		12	88	
		15	91	
2	BA Sun Arcs 36"	22	5	
		23		
				Grid No.
12	80 amp. BA Rotary Spots	76	455	83
		13	167	109
		104	76	53
		84	267	71
		87	265	86
		19	176	29
		16	178	60
		72	283	87
		94	404	77
		82	493	105
		22	174	88
		97	399	10

1 70 Amp Creco Spotlight —#14
3 35 " Olsen Baby " —No. 2-7-8
5 18" Sunspots MR 2000W— (Red "X" on Back)
6 WK Double Side Amps. 2M-W " " " "
10 Creco Brackets—NOTE: None
6 WK Single Side Lamps, 1 MW (Red "X" on Back)
12 WK Broads—

Studio No.	Serial No.	Studio No.	Serial No.
35	2756	92	2670
40	4591	49	2758
32	1939	62	1625
86	1904	55	4655
30	3303	20	1799
24	2785	33	1875

ELECTRICAL EQUIPMENT—Cont'd

5 Creco Scoops—#14, 16, 18, 22, 25
30 Frost Frames for Rotary Spots—(Marked with red "X")
40 Brackets for Spots—(Marked with Red "X" on back)
50 Florentine Glass Diffusers for Broads (Red "X" marked on top)
50 Silk Diffusers for Broads—(Red "X" marked on top)
10 Spiders—(Black "X" on inside of top cover)
2 4-Position Remote Control Port, Switchboards—Serial #60—64
4 Sets Differential Chain Hoists—(Top wheel painted "Red")
600′ Dura Cable—4-0 (100′ lengths) Painted "Black"—one end
17 Plugging Boxes—(Black "X" marked)
16 3-Wire Extensions—(Painted "Black" on one end)

GRIP EQUIPMENT

No. Owned by Studio			Replacement Cost
26	2	6′ Platforms for Cameras	$ 50.00
29	2	4′ " " "	46.00
6	2	2′ " " "	42.00
11	2	2′ " " Lights	4.00
4	2	3′ " " "	5.00
2	2	Baby " " "	3.00
8	3	2′ Ladders	4.50
6	1	6′ "	4.50
10	6	Camera Boxes	9.00
10	3	Tin Gags for Cameras	9.00
8	4	Flags for Cameras	6.00
1	1	Funny Gobo	2.00
8	2	Gauses on Poles 9x12	10.00
20	8	Lge. Furniture Platforms	10.80
75	40	Small " "	20.00
4	4	Mountain Platforms	8.00
12	3	Camera Tydowns	1.50
90	30	Ear Muffs for Lights	6.00
—	1	Bolt Defuser Gause	12.00
10	4	Baby Reflectors	4.00
50	20	Asst. Gobo Flats	30.00
4	1	Camera Perambulator	70.00
800′	500′	Misc. Rope	2.50

(Cont'd)

GRIP EQUIPMENT—CONT'D

No. Owned by Studio			Replacement Cost
11	2	Camera Stools	2.00
5	1	20x30 Ft. Gause	8.40
4	1	30x40′ Overhead Diffuser	25.00
46	20	4x5′ Reflectors	140.00
43	14	3x4′ "	70.00
7	4	5x8′ "	32.00
13	4	3x4′ Mirrors	48.00
7	2	Reflectors on Stands	13.00
1	1	Iron Camera Tripod Pipe	1.50
8	3	Umbrellas on stands	15.00
2	2	Mushroom Tripods	8.00
2	2	Linen Reflectors	2.00
9	2	Hoops and Poles	15.00
6	2	Overhead Diffusers and Poles	3.00
8	2	Reflectors on Iron Stands	15.00
		TOTAL	$755.70
		Less 25%	$566.81

(PRICES BY ROY JONES)

NOTE: ALL OF THE ABOVE EQUIPMENT—MARKED WITH A "RED STAR" INSIDE A "CIRCLE".

[1000]

COSGROVE EQUIPMENT

		Replacement Cost	Depreciated Value
1	Bell & Howell Camera—#646	$1,162.00	$1,000.00
1	" " " 240	1,162.00	1,000.00
1	" " " 14	1,162.00	1,000.00
1	C.Z. Lens—4"—No. 532051	75.00	50.00
1	GH Lens—40 m.m.—No. 392103	85.00	40.00
1	" " " No. 391450	85.00	40.00
1	" " 50 m.m. No. 394266	85.00	60.00
1	B&L " " " No. 41128	110.00	40.00
1	Graf " 75 " No. 5944	43.00	25.00
1	CZ " 40 " No. 142234	85.00	50.00
1	Astro Lens 40 " No. 563	100.00	60.00

COSGROVE EQUIPMENT—Cont'd

		Replacement Cost	Depreciated Value
1	Astro Lens 50 m.m. No. 586	100.00	60.00
1	RUO " 4 c.m. No. 16965	50.00	50.00
1	H. S. Tripod No. 379	50.00	50.00
1	Mitchell Tripod No. 144	250.00	200.00
1	Set Diffusion Discs No. 382	5.00	5.00
2	Title Blocks Nos. 64-62	50.00	50.00
7	B&H Magazines Nos. 3015, 3102, 540, 5690, 1268, 3108, 865	196.00	175.00
6	Rewinds Nos. 405A to 405F incl.		90.00
1	H. S. Shuttle No. 240	750.00	750.00
1	Tachometer & Adaptor No. 386	30.00	25.00
1	Mitchell Viewfinder No. 105	100.00	100.00
1	Speed Crank No. 388	6.00	2.00
1	R&H Cinemotor No. K-99	250.00	150.00
1	Test Box No. 390	75.00	25.00
1	Luggage Case No. 392	15.00	10.00
2	Camera Cases No. 391—A & B	40.00	20.00
1	Combination Case No. 392	5.00	5.00
1	Table Footage Counter—No. 754	37.50	25.00
1	Moviola No. 1207	185.00	148.00
1	Stop Motion Device No. 393	100.00	100.00
1	Aux. Plate & Prism No. 228	25.00	25.00
1	Straight Prism No. 395	30.00	30.00
1	Camera Crank No. 396	6.00	2.00
2	Tripod Cranks No. 397—A & B	7.00	4.00
3	Stop Motion Cranks No. 398—A-B-C	18.00	6.00
1	Tripod Head No. 399	250.00	100.00
1	Spider Tripod No. 400	10.00	10.00
1	Iris & Mat Box No. 401	200.00	200.00
1	Cinemotor Counter No. 718	25.00	25.00
1	B&H Counter No. 710	37.50	25.00
1	Gear Box No. B-9	25.00	25.00
1	Baby Spotlight No. 405-A	45.00	36.00
1	Splicing Machine No. G-259	285.00	175.00
	TOTAL	$7,412.00	$6,068.00

FURNITURE & FIXTURES
(Cosgrove Unit)

	No.	Replacement Cost
6′ x 6′ 5-section locker with sliding doors	C-1	$ 14.00
60x60x16″ 4-shelf, 3-section galvanized iron film locker	C-2	54.00
4-drawer 20″ oak letter file	C-3	60.50
4-drawer 25″ metal letter files, with locks	(C-4 (C-5	142.00
7′6″ High sectional file	C-6	6.50
Oak swivel chair	C-7	16.50
Chair pad—felt	C-7	1.75
34x60″ double pedestal oak desk with lift pedestal	C-8	94.00
30x60″ double pedestal oak desk	C-9	84.00
69x34x¼″ pine drawing board	C-10	10.00
34x42″ " " table	C-11	7.00
Oak side chair	C-12	9.75
Oak dining chair	C-13	10.25
16x18x48″ 3-drawer Galvanized iron film locker	C-14	28.00
14″ Electric heater	C-15	6.00
10″ " "	C-16	5.50
Royal # 12″ typewriter	C-17	92.50
Arch file	C-18	1.05
Wire waste baskets	C-19 & C-20	1.30
Wire letter baskets	C-21 & C-22	1.30
Acco punch	C-23	4.00
Pencil Sharpener	C-24	3.00
Lot miscl. desk equipment	C-25	3.00
Desk Calendar	C-26	2.50
		658.40
Less 25% depreciation		164.60
Depreciated Value		$493.80

[1002]

CUTTING ROOM EQUIPMENT

		Replacement Cost
11	Wall Film Racks (8-lge. 2-Med. 1-Sma.) Nos. D-110, 111, 112, 114, 115, 116, 101, 103, 104, 107-106	$ 623.00
1	Steel Table 12′x2′x31½″—#105-D	32.50
2	" " 22½x5′6″—#100—100-A at $37.00 ea.	74.00
1	3-shelf Sheet Metal Film Storage Locker—No. D-113	35.00
1	Sing. Pedestal, 1″ top Oak Desk—No. D-150	36.50
1	Wicker Chair & Cushion—D-157	11.00
1	" Armchair & Cushion—D-156	14.50
1	" Couch Pad & Cover—No. D-158	25.00
3	Oak Side Chairs—Nos. D-151, 152, 153 at $9.75 ea.	29.25
2	Film Boxes—D-163-164 at $4.00 ea.	8.00
1	Mah. Swivel Typists Chair—No. D-154	17.50
1	Stained Pine Table—No. D-155	4.75
1	9x12 Axminister Rug—No. D-160	58.00
1	4-Tread Step—No. D-239	3.00
1	Wire Waste basket—No. D-109	.85
1	Desk Calendar—No. D-161	1.75
1	Double Ink Stand	1.65
1	Moviola—Model D—No. 1261	245.00
1	Moviola Midget—No. D-2002	185.00
2	Fulco Film Rewinds—No. D-121, 122, 123, 124 at $8.00 ea.	16.00
2	Film Rewinds with brakes—Nos. 240-241 at 9.50 ea.	19.00
2	Langs Model 4A Film rewinds—No. 242-243 at $9.00 ea.	18.00
10	10″ film Reels at 50¢ each	5.00
1	14″ Film Reel	.75
72	Film Boxes—D-166—D-238 at $1.50 ea.	108.00
	TOTAL	$1,573.00

[1003]

C. B. DE MILLE EQUIPMENT
(Held by Roy Burns)

	No.	Replacement* Value	Depreciated Value
Black prop boxes and miscellaneous small equipment 26x26x48"	RB 1-2	$100.00	100.00
Black prop boxes and miscellaneous small equipment 20x22x36"	RB 3-4	75.00	75.00
Prop box miscellaneous small equipment 12x16x26"	RB 5	50.00	50.00
Brass makeup kits, fully equipped	RB 6, 7, 8,	90.00	90.00
Lot miscl. equipment	RB 9	100.00	100.00
Prop carrier & equipment	RB 10	75.00	75.00
	TOTAL	$490.00	490.00

*—No replacement cost available.

[1004]

RESEARCH EQUIPMENT

Title	Author	Cost
English Interiors	Stratton	$ 30.00
English Homes Vol. 1 Period 3		25.00
" " " " " 4		17.50
Royal Palaces of Great Britain		5.00
Cathedrals		2.00
Studio Year Book 1927		4.50
Interiors	De Ruhlmann	15.00
Petits Edificies		12.50
Le Petit Trianon	Deshairs	8.50
Interieurs	Sue Et Mare	12.50
Small Manor Houses in France		6.00
Une Ambassade Francaise		15.00
French Provincial Architecture		20.00
Smaller Houses of Versailles		6.00
Cottages of Normandy and Brittany		12.50
L'Art Decoratif Francais 1918-1928		10.00
Spanish Interiors—Vol. 3		30.00
Islam Architecture		1.00

RESEARCH EQUIPMENT—Cont'd

Title	Author	Cost
Thousand and One Ideas		9.00
Color Schemes for Modern Interiors		6.00
Koch's Handbook		5.50
" "		5.50
Von Der Empire	Lux	5.00
Empire Furniture		5.00

[1005]

Dutch Architecture in 1800's		$ 10.00
3 (different) volumes of Ricci's Italian Architecture		15.00
Renaissance in Italy	Baum	10.00
Altmecklenburgesche Schlosser		7.50
Zarskoje Sselo		10.00
Wohnungskultur und Mobel der Italienischer Renaissance		10.00
Treatment of Interiors	Clute	6.00
Decorative Furniture	Hunter	25.00
Furniture of the Italian Renaissance	Schotmuller	10.00
Holland Furniture 1650-1780		6.00
German Furniture		6.00
Die Raumkunst		6.00
House Beautiful Building Annual		2.00
Georgian Period—vols. 1, 2, 3		75.00
House and Garden—Second Book of Interiors		5.00
House Beautiful—Furnishing		2.00
American Vignola—Part 1		2.00
Dwight J. Baum's Work		18.00
Owen Jones Ornament		25.00
Weyhe's Ornament		50.00
Speltz Ornament		5.25
Ancient Ironwork—vols. 1 & 2		45.00
London Times History of the War—21 vols.		50.00
Picturesque North Africa		7.50
Egypt	Kelly	2.50
Tomb of Tut		3.00
Southern China		2.00
Eighteen Capitals of China		3.95
Dancing Girl		2.50

[1006]

RESEARCH EQUIPMENT—Cont'd

Title	Author	Cost	
Bangkok to Bombay		$ 4.00	
Peasant Art in Austria		20.00	
Picturesque Canada		7.50	
London Alleys, Byways & Courts		5.00	
Ranks and Dignities of British Society		2.00	
Picturesque Great Britain		7.50	
Finland		12.00	
Details of Architecture in Tuscany		25.00	
Picturesque Germany		6.00	
Album of Berlin		1.75	
Deutsch Sudost		3.00	
Vagabonding Through Germany		4.00	
Twenty-Five Great Houses in France		25.00	Used
Pan. of Paris		3.95	
Paris—Booklet		1.00	
Alsace-Lorraine		7.50	
French and Italian Riviera		2.50	
France	Home	2.75	
The Riviera	Devouluy	2.50	
Southern India		5.00	
Armies of India		4.00	
Holy Land	Roberts	50.00	Used
Picturesque Palestine		6.00	
Palestino		6.00	
Picturesque Italy		7.50	
Peasant Art in Italy		13.50	
Travels—Russian Empire, Vol. 1, 2		5.00	
Russian Art Book		12.50	
" " " Furniture, etc.		70.00	Used

[1007]

Spain	Calvert	$ 15.00	
Peasant Art in Sweden		12.50	
" " in Switzerland		5.00	
Picturesque Spain		6.00	
Romantic America		7.50	
Old New York		3.50	
Manhatton—The Magical Isle		15.00	
How the Other Half Lives		1.25	
Highways and Byways of the South		4.75	Used

RESEARCH EQUIPMENT—Cont'd

Title	Author	Cost
Asia—11 Vol. at $3.00 a vol.		33.00
National Geographic 1909-26 (34 bound vols.) (Ten years of this belongs to Mr. DeMille—20 vols.)		42.00
Burton Holmes—13 vols.		16.00
Stoddard's Lectures		10.00
Howard Pyles Book of Pirates		7.50
Daring Deeds of Pirates		2.50
Book of History—18 vols.		35.00 Used
Story of the Greatest Nations		15.00 Used
Cambridge Mediaeval History		8.50
Great Events by Famous Historians		32.00 Used
La Cantiniere		5.00 Used
Historire de France—2 Vols.	Larousse	20.00
Paris	"	15.00
Napoleon 1		10.00 Used
British Military Prints		15.00
History of the World War (5 vols. 3 missing)	Simmonds	8.00
The Great War in Gravure		10.00 Used
Greece and Rome	Von Falke	12.00
Costume of the Ancients	Hope	25.00
		[1008]
Toilette of a Hebrew Lady		$ .65
Greek Dress		4.50
Rosenberg 5 portfolios		72.00
Racinet " "		100.00 Used
Costume	Norris	10.00
English Costume	Calthrop	4.00
Dame Fashion		12.00
Historic Dress in America	McClelland	20.00
Die Mode 3 vols.		12.00
Guide to Historical Fiction		9.00
Dictionary of Facts		11.50
Roget's Thesaurus		3.50
Talachkino (Russian Art)		6.00
Reference Passage Bible		5.00

RESEARCH EQUIPMENT—Cont'd

Title	Author	Cost	
U. S. Army Uniform 2 vols.		10.00	
Painting From 1400-1800		3.00	
Mentor Magazine 6 vols.		24.00	
Art of Greece		3.50	
Museum of Antiquities		5.00	
Hasting's Dictionary of the Bible		7.00	
Abridgement of the Secret Doctrine		3.00	
Book of Genesis		.75	
Coming of Christ		1.00	
Jesus	Klausner	4.50	
Life of Jesus	Hole	6.50	
Encyclopedia of Bible	Kitto	.95	
Folklore of the Old Testament	Frazer	5.00	
Unknown Life of Jesus	Novotich	2.00	
Life of Jesus	Kent	2.50	
			[1009]
Training of the Twelve	Bruce	$ 1.50	
Money of the Bible		.95	
Rembrandt	Meldrum	9.00	
International Studio 1897-1913		200.00	
Customs of Mankind		2.00	
Apocryphal Testament (New)		3.50	
Musical Instruments		8.00	
Golden Age of Sail		25.00	
Encyclopedia 8 vols.	Larousse	35.00	Used
Catholic Encyclopedia		60.00	"
Encyclopedia Britannica		94.20	
English Magazines (War period—2 years of)		15.00	
Der Krieg—3 vols.		13.50	
Ensemble Mobilier—2 vols.		25.00	
Flags of the World Past and Present		2.50	
Gibbons Rome		3.00	Used
Curiosities of Popular Customs etc. 3 vols.		10.00	
Costume of France	Piton	6.50	
Rawlinson's Ancient Monarchies		20.00	Used
The Corset		10.00	
Bible		5.00	
Hurbut's Bible Encyclopedia		1.50	
Sumerian Epic of Paradise		3.50	

RESEARCH EQUIPMENT—Cont'd

Title	Author	Cost	
The Great Chalice of Antioch 2 vols. (In Miss MacPherson's possession)		150.00	
King Arthur and His Knights	Howard Pyle	3.50	
The Grail and the Passing of Arthur	" "	3.50	
Arthurian Romances	C. Troyes	.95	
The High History of the Holy Grail		.95	
			[1010]
Bulfinch's Age of Chivalry		$ 2.00	
Bulfinch's Mythology		1.75	
Roger de Hoveden's Annals		5.00	
Arthur of the English Poets		1.50	
Art Appreciation Collection		175.00	Used
Concordance of Bible	Young	7.50	
Atlantis		5.00	
8 vols. or 3 years of L'Illustration Magazines at $4 a vol.		32.00	
6 vols. or 1½ years of Graphic at $4. a vol.		24.00	
9 vols. Illustrated London News at $4. vol.		36.00	
Misc. Graphics, Illustrated London News L'Illustrations unbound		3.50	
Soule's Synonymes		3.75	
Tarry Thou Till I Come		.75	
Mary Magdalen	Edgar Saltus	2.00	
John Sloan Works		2.50	
Schickal		3.00	
	TOTAL	$2,773.30	
	Less 20%	554.66	
		$2,218.64	
			[1011]

PROPERTIES AS SELECTED

		No.	Cost	Depr'd. Value per Appraisal
	Carved Floor pcs.	857-858	$ 65.00 pr.	$ 65.00 pr.
	Sanctuary lamp	1243	35.00	35.00
	Bust of Christ	838	25.00	25.00
	Carved figure Madonna	839	40.00	56.00
	Bishop and staff	933	95.00	60.00
	Painting of Mary with urn	312	55.00	75.00
	Empire painting	306	45.00	200.00
	Painting Lady with flowers	503	40.00	100.00
	Painting lady with collar	304	65.00	200.00
	Painting man with horse	305	85.00	250.00
	Painting picnic	306	55.00	200.00
	Painting Crusaders	297	250.00	200.00
2	Paintings still live	300-302	100.00 pr.	600.00 pr.
	Poly. figure and basket	850	75.00	50.00
	Carved figure Madonna	841	56.00	40.00
	Painting lady with spray	501	50.00	75.00
	Painting man with snuff box	307	45.00	150.00
1	Gothic Tapestry	W-5	1,500.00	1,500.00
1	Red velvet altar cloth	W-64	45.00	45.00
1	Yellow brocade throw	W-61	75.00	75.00
1	Green throw	W-59	45.00	45.00
1	Pr. brass wall bkts.	1155-1156	135.00	135.00
1	Pr. trees and urns	861-862	157.50	157.50
1	Painted ship	864	45.00	45.00
1	Parchment shade	1244	40.50	40.50
1	Lantern	518	112.50	112.50
1	Spanish basket	1237	135.00	135.00
16	Highball Glasses	1325	24.30	20.40
1	Pr. glass lamps	867-868	40.50	11.50
9	Cups and saucers		18.00	12.00
1	Mahogany table	425	45.00	45.00
2	Green urns (now at Warner Bros.)		27.00	27.00
2	Lyre baskets	61	27.00	50.00
1	Hall lantern	518	112.50	75.00
1	Chandelier	546	135.00	125.00
1	Antique lantern—hall	510	135.00	112.00
1	Boat vase	165	15.00	15.00

PROPERTIES AS SELECTED—Cont'd

		No.	Cost	Depr'd. Value per Appraisal
1	Tall red glass vase	1343	4.00	4.00
1	Pr. 3-light lamps & shades	826	38.50 pr.	38.50 pr.
	TOTAL		$4,093.30	5,206.90
	Caromandal screen—	200.		
	King of Kings gates	350		

[1012]

COMPLETED WARDROBE AS SELECTED

		Studio Number	Cost Labor & Material
1	White flannel coat, black velvet trim, gold beads and red embroidery	1102G	$ 407.11
1	Black velvet coat with orange and black embroidery	1218G	289.34
1	Black and gold bouffant dress	1155G	222.80
1	White and flowered satin brocade wrap	1226G	138.22
1	White fox fur collar on wrap #1226G (From Metropolitan stock)	22W	300.00
1	Small white fox collar taken from Metrop. coat #89 and made into cuffs for wrap 1226G	23W	40.00
1	Black velvet coat	1144G	75.00
1	Beige fox collar and cuffs on coat 1144G	21W	130.00
1	Black velvet coat, embroidered sleeves	1168G	216.13
1	Souffle evening gown allover crystal bead emb.	1220G	414.73
1	Black velvet evening gown, crystal bead emb.	1057G	190.32
1	Rose velvet beaded evening gown	1165G	149.52
1	Wedding dress of nude net	876G	187.82
1	Pink net bouffant dress	1175G	234.15
1	Negligee green and gold brocade	1156G	120.23
1	Rose shaded pajamas—gold emb.	256L	121.54
1	Plain black velvet evening gown	1225G	71.41
1	Wedding veil	75Z	81.84
1	Evening gown of blue velvet, rhinestone emb.	1114G	89.63
1	Red pajamas, emb. with sequins	227G	127.41
	Cost of labor and material		3.607.20
	Less 50% depreciation		1,803.60
	Depreciated value		$1,803.60

[1013]

USED JEWELRY AS SELECTED

No.	Article	Replacement Cost
22J	Jade section bracelet	$ 24.00
24J	1 pr. large pearl earrings	9.00
80J	1 pr. long antique earrings	80.00
26J	Fancy rhinestone pin	18.50
81J	Coral bead head piece	16.00
27J	Large diamond necklace	144.00
42J	Long diamond collar	25.00
34J	Court earrings	12.00
34J	" "	12.00
34J	" "	12.00
82J	Earrings antique and jade	30.00
70J	Ring with large ruby stone	3.75
04J	Earrings of cut steel	9.00
30J	Earrings diamond bow and knot	12.50
92	Earrings cut steel	5.75
34J	Earrings—large pearl with diamond screws	4.50
76J	3 ring oblong crystal silver set	18.00
35J	Large rhinestone painted earrings	12.00
3J	Chain of small crystals	7.00
18J	Silver lorgnette	10.75
01J	1 pr. cut steel earrings—Egyptian design	13.00
91J	Necklace made into earrings	18.00
03J	3 pr. ornaments made into one	15.00
	Articles listed in appraisal	$528.75
	Total replacement cost, less 18% depreciation	95.17
	Depreciated value	$433.58

[1014]

NEW JEWELRY AS SELECTED

No.	Article	Replacement Cost
930J	Emerald & crystal ring	$ 6.00
931J	Bracelet with large crystal center	13.50
933J	Collar to match above bracelet	18.00
932J	Bracelet with large crystal center	15.00
934J	Bubble Brooch (1 large pearl)	3.50
935J	" " (cluster of 3 large pearls)	6.25
936J	" " (3 large pearls)	6.75
937J	Brooch, large square crystal setting, with rhinestones	9.00
938J	Fancy link neck piece	18.00
939J	Emerald and rhinestone fancy bracelet	48.00
940J	Crystal and rhinestone brooch	5.75
941J	Collar rhinestone with large crystal center	18.00
942J	1 pr. pearl earrings on gold chain	5.50
943J	1 pr. earrings set with numerous small pearls	6.50
944J	1 pr. learge pearl earrings	8.00
945J	1 pr. earrings—fancy rhinestone sets	7.00
946J	Bracelet with large round crystals	35.00
947J	Crystal chain	30.00
948J	Large crystal ring	8.00
950J	Large brooch with crystal center	9.50
951J	Ring, 2 large crystal sets—fancy rhinestone setting	8.00
952J	Small rhinestone graduated bracelet	4.00
953J	" " " "	10.00
	Total replacement cost	$299.25
	(no depreciation)	

[1015]

WARDROBE MATERIAL AS SELECTED

Stock No.	No. Yds.	Material	@	Cost Value
3716	2½	Crystal fringe	$ 3.13	$ 7.83
3718	2	" "	7.65	15.30
3719	2	" "	6.75	13.50
3814	3⅜	" "	7.65	25.82
3647	5	Green and gold brocade	22.50	112.50
2702	5	Blue and silver brocade	29.00	145.00
3932	7	Black and gold metal cloth	10.00	70.00
2756	10½	White fringe cloth	14.00	147.00
3447		1 chiffon scarf	23.00	23.00
2604	15⅛	Black lace	7.25	109.66
3467	6½	" "	8.25	53.63
1965	11 2/8	" "	8.00	90.00
3156	13	Black and gold ribbon	6.75	87.75
3910	7⅝	Black lace	3.65	27.83
2707	4½	Silver spangled lace	16.00	72.00
2924	5⅝	" " "	16.00	90.00
1920	8⅞	Black lace	4.50	39.94
1102	6⅝	Wide black lace	5.75	38.09
1482	8	" " "	6.95	55.60
1826	8⅛	Fine black lace	4.50	36.56
3956	3	Green silk print	3.75	11.25
1957	3	Red silk print	3.75	11.25
3906	5	Blue mouss. imp.	5.00	25.00
1149	2⅛	Gold lace	55.00	116.88
1294	6	Flowered chiffon	5.50	33.00
1962	2	Crepe (orchid flowered)	5.00	10.00
1858	3	Black and gold lace	19.00	57.00
1907	5	Crepe ombre	10.75	53.75
3222	6	Meters blue and grey figured mat'l.	9.95	59.00
3923	13⅛	Black lace	7.95	104.34
3131	4⅛	Black and gold chiffon	12.50	51.56
3914	5	Green gillanger facome	7.95	39.75
3963	5	Plaid Irana crepe, imp.	7.50	37.50
1931	7	Black and gold metal cloth	10.75	75.25
1908	3	Fluidor fac.	15.00	45.00
3255	5	White and gold material	16.75	83.75
1916	3	Blue plaid wool	5.95	17.85

WARDROBE MATERIAL AS SELECTED (Cont'd)

Stock No.	No. Yds.	Material	@	Cost Value
3915	3	Dark blue wool	5.95	17.85
1579	10	Black and gold copper flouncing	37.50	375.00
3087	12	Black lace	7.75	93.00
3961	1	Metal lace cape	35.00	35.00
3960	1	Metal lace cape	47.50	47.50
3804	10	Violet velvet ribbon	1.25	12.50
3802	10	Blue velvet ribbon	.85	8.50
3804	10	Green velvet ribbon	1.25	12.50
3803	5	Green velvet ribbon	1.30	6.50
3795	10	Striped yellow ribbon	1.35	13.50
3806	10	Black moire ribbon	1.18	11.80
1886	4 2/8	Black ribbon	3.15	13.39
3795	10	Ashes of roses satin ribbon	1.35	13.50
3801	30	Metal ribbon	5.75	172.50
		(forwarded)		$2,926.18

[1016]

3598	3½	Meters Green & white coating	$ 6.60	$ 23.10
2887	10 2/8	Gold and cream brocade	11.75	120.44
2441		1 Black crepe scarf		77.50
2136	6	White embroidery	10.00	60.00
2136	5½	" "	10.00	55.00
2136	6	" "	10.00	60.00
2136	5⅜	" "	10.00	53.75
				$3,375.97

[1017]

PETITIONER'S EXHIBIT 14

[Endorsed]: Admitted in Evidence Dec. 14, 1933.

COPY

THIS AGREEMENT made and entered into this 16th day of August, 1920, at Los Angeles, California, by and between

CECIL B. DE MILLE PRODUCTIONS,
a co-partnership composed of Cecil B. DeMille, Constance A. deMille, Ella King Adams and Neil S. McCarthy,
party of the first part, herein called the "Partnership,"

and

CECIL B. DE MILLE,
of Los Angeles, California, party of the second part, herein called the "Artist,"

WITNESSETH THAT:

WHEREAS, the Partnership is engaged in the manufacture and production of motion pictures and photoplays, the principal ones of which said motion pictures and photoplays are to be directed by the said Cecil B. deMille; and,

WHEREAS, the said Cecil B. deMille has agreed to enter into a contract with said partnership for the performance of his services as a director of motion pictures for said partnership;

NOW, THEREFORE, this agreement WITNESSETH:

That the Partnership does hereby engage and employ the Artist, and the Artist does hereby covenant and agree to render and perform his services as a director of motion pictures and photoplays, to and for the Partnership exclusively, for the period commencing August 16, 1920, and extending to and including the 15th day of August, 1925. The Artist shall receive as full compensation for his services so rendered, a salary at the rate of Fifteen Hundred Dollars ($1500.00) per week. [1018]

ALL UPON AND TOGETHER WITH AND SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS, IT IS HEREBY AGREED THAT:

(1) In the event that the Artist is engaged in directing the production of a motion picture or photoplay at the end of the period when this contract would otherwise terminate, he shall continue the direction of said motion picture or photoplay at the same salary and upon the same terms as above set forth, until the completion thereof.

(2) Said services shall be rendered conscientiously and artistically, and to the best ability of the Artist, and at such times and places as shall be necessary or proper to the careful, efficient and economical production of such photoplays or motion pictures.

(3) The Artist shall have sole and complete authority in the direction and production of all said motion pictures, including the right to employ

any and all artists and assistants that he may require from time to time, and including the right and authority to the artist to enter into contracts in the name of and on behalf of the partnership with any and all artists or other persons or individuals for the rendering or performance of services, or for the doing of any other act or thing which, in the opinion of the Artist, may be necessary or incidental to the proper manufacture and production of said motion pictures. The Artist shall also have the right and authority to enter into any and all other contracts for the purchase or obtaining of books, stories, materials, supplies and articles of any and every kind or nature, necessary or proper to the manufacture and production of said motion pictures.

(4) The Artist agrees to direct for the Partnership, not less than two nor more than four motion pictures each year during the period of this contract, and to cut and title the same so that the negative will be complete and ready for the making of the positive prints therefrom, and so that the partnership shall at all [1019] times be enabled to comply with an agreement entered into by said Partnership with the Famous Players-Lasky Corporation, dated August 16, 1920, for the production and delivery to said Famous Players-Lasky Corporation of not less than two nor more than four motion pictures each year during the period from August 16, 1920, to and including August 15, 1925.

(5) The Artist shall have the use of the quarters now occupied by him in the studios of the Famous Players-Lasky Corporation, and the use of which the said Famous Players-Lasky Corporation has agreed to furnish to the said partnership during the period of this agreement.

(6) The Partnership does hereby agree to cause to be placed at the disposal of the Artist, for the production of said motion pictures, all of the things which the said Famous Players-Lasky Corporation has agreed to furnish to the Partnership for the production of said motion pictures, and that the same shall be furnished in the manner and at the times as provided in the agreement between the said Partnership and the said Famous Players-Lasky Corporation.

(7) The services of the Artist shall be rendered at such times and places, either in the State of California or elsewhere, as shall be required for the direction or production of said motion pictures.

(8) The Partnership shall pay the transportation of the Artist, necessarily incurred, when the services of the Artist are required to be performed at any other place than in the City of Los Angeles, County of Los Angeles, State of California, and shall furnish lodging expenses necessarily incurred when the services of the Artist in the actual directing of a motion picture are performed elsewhere than in the City of Los Angeles, or in or about the City of New York, State of New York. The Artist

shall, however, furnish an automobile and bear the cost and the upkeep [1020] thereof, including the cost of chauffeur and all other things necessary or incidental to the use of the same, for his transportation in or about the City of Los Angeles and in and about the said City of New York, in the rendering and performance of the services required under the terms hereof. The Artist shall also, however, continue as he has in the past to visit the City of New York not less than twice during the year at intervals of at least four months apart, for the purpose of witnessing the exhibition of plays and motion pictures, and of acquiring new ideas and inspiration in the directing and production of motion pictures, and shall at least twice during the period of this contract visit England and the Continent of Europe, including the City of Paris, for the purpose of there gaining new ideas and added inspiration for the direction and production of motion pictures, and thereby increasing his ability as a direct*ion* of motion pictures. The Artist shall use any ideas which he may gain during said visits in the directing and producing of the motion pictures to be directed and produced for the Partnership under the terms of this agreement.

(9) The Partnership shall pay for any all materials, stories or other articles or things purchased by the Artist on any of such visits to England and the continent of Europe, or to the City of New York, or elsewhere, which shall be purchased to be

used in the direction or production of any of the motion pictures to be directed for the Partnership, and the actual transportation, living and incidental expenses which the Artist shall incur on such trips or visits shall be forne by the Partnership, not in excess, however, of $20,000, for each European trip, and not in excess of $5,000 for each New York trip.

(10) The Partnership shall require and provide that each and every of the pictures directed by the Artist under the terms hereof shall be advertised and publicized to the same extent and in the same general manner as is indicated by the advertising and publicity given to the photoplay entitled "Male and Female," directed by the Artist and marketed by the Famous Players-Lasky [1021] Corporation, and that in all publicity the name of the Artist shall receive such attention and prominence as was given to it in the advertising and publicity of the said "Male and Female" and that each and every of the said pictures shall be announced as "A Cecil B. deMille Production".

(11) The Artist agrees that he will not direct nor produce any motion pictures during the period of this agreement, other than those which he shall direct or produce for the Partnership, nor will he engage in any other business than the making of motion pictures to be delivered pursuant to this contract, and that he will not permit his name to be announced as the maker, director or supervisor

of, or as interested in, the production of any motion pictures, during the period of this agreement, except those deliverable under this agreement, and that he will, during the period of this agreement, render his services to and for the Partnership exclusively, and will not render or perform any services whatsoever for himself or for any other person, firm or corporation, in any way connected with the motion picture or theatrical business. The Artist further agrees that no motion picture shall be announced as made by the Artist within three months after the termination of this agreement, nor shall any motion pictures directed by the Artist, or in which the Artist shall be in any way interested, be released for a period of six months after the period of this contract.

(12) In the event that the Partnership is prevented from making motion pictures which are to be directed by the Artist, by reason of the enactment of any law, ordinance or regulation, or by the insurance of any binding proclamation or order or by the act of God, strike, casualty, epidemic or unavoidable accident, none of which could be foreseen or provided against, then the Artist shall not, during said period of prevention, be entitled to receive any compensation; provided, however, that such period [1022] shall not exceed in the aggregate four weeks during any year of the term of this agreement.

IN WITNESS WHEREOF, said parties have hereunto set their hands, the day and year in this instrument first above written.

CECIL B. DE MILLE PRODUCTIONS,
By:
(Signed) CONSTANCE A. DE MILLE
" ELLA KING ADAMS
" NEIL S. McCARTHY
(Co-Partners)
" CECIL B. DE MILLE
Artist. [1923]

PETITIONER'S EXHIBIT 15.

[Endorsed]: Admitted in evidence Dec. 14, 1933.

State of California
County of Sacramento—ss.

I, EDWIN M. DAUGHERTY, Commissioner of Corporations of the State of California, do hereby certify that the following is a true and correct copy of the application heretofore filed by CECIL B. deMILLE PRODUCTIONS, INC., on July 10th, 1922, as the same is now on file and of record in my office.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal this 8th day of December, 1933.

EDWIN M. DAUGHERTY
Commissioner of Corporations.
By JOHN L. DAVIS
Executive Assistant Commissioner.
[1024]

Received. State Corporation Dept. July 10, 1922. Los Angeles, Calif.

Before the Commissioner of Corporations of the State of California.

In the Matter of the Application of CECIL B. deMILLE PRODUCTIONS, INC., a corporation, for permission to issue and sell certain of its capital stock.

APPLICATION TO ISSUE STOCK.

CECIL B. deMILLE PRODUCTIONS, INC., a corporation, pursuant to the Corporate Securities Act of the State of California, hereby makes application to the State Corporation Department for authority to issue and sell certain of its shares of capital stock, and in support of its application respectfully represents:

I.

That said CECIL B. deMILLE PRODUCTIONS, INC., was incorporated under the laws of the State of California on the 20th day of May, 1922; that a copy of its Articles of Incorporation is attached hereto, filed herewith, and marked Exhibit "A"; that a copy of its By-Laws is filed herewith, attached hereto and marked Exhibit "B"; that a copy of all minutes of any proceedings of its directors or stockholders, relating to or affecting the issue of stock, for the issuance of which permission is hereby sought, is filed herewith, attached hereto, and marked Exhibit "C".

II.

That its authorized capital stock is Five Hundred Thousand Dollars ($500,000.00) divided into Five Thousand (5,000) shares of the par value of One Hundred Dollars ($100.00) each.

III.

That there has been no previous issue of any of its shares of stock. [1025]

IV.

That the corporation has received, and subject to the approval of the Commissioner of Corporations has accepted an offer from CECIL B. deMILLE, CONSTANCE A. deMILLE, ELLA KING ADAMS AND NEIL S. McCARTHY, being the partners composing the CECIL B. deMILLE PRODUCTIONS, to transfer to this corporation the property hereinafter described, which description is as follows, to wit:

ASSETS

Cash In Banks	30,000.00	
Securities & Investments	54,519.86	
Automobiles	5,190.00	
Furn. & Fixtures	230.00	
Props	24,371.50	
Scenarios & Picture Rights	10,000.01	
Loans Receivable	145,578.45	$269,889.82

LIABILITIES

Accounts payable	17,500.00

for Four Thousand (4,000) shares of the capital stock of this corporation, which said shares of stock shall include the Five (5) shares of stock subscribed for by the organizers of this corporation.

V.

That the net tangible assets of the said CECIL B. deMILLE PRODUCTIONS, after deducting the liabilities of Seventeen Thousand Five Hundred Dollars ($17,500.00) are of the value of Two Hundred Fifty Two Thousand, Three Hundred Eighty-Nine Dollars and Eighty-Two Cents ($252,389.82).

That the said CECIL B. deMILLE PRODUCTIONS, in addition to said physical assets described in the statement hereinbefore set forth, has a contract with CECIL B. deMILLE, wherein and whereby the said CECIL B. deMILLE has agreed for the period of Five (5) years from August 16, 1920, to direct motion pictures being produced by the said CECIL B. deMILLE PRODUCTIONS, and that the said CECIL B. deMILLE PRODUCTIONS has a contract with [1026] the FAMOUS PLAYERS LASKY CORPORATION, wherein and whereby the said CECIL B. deMILLE PRODUCTIONS produces motion pictures for the said FAMOUS PLAYERS LASKY CORPORATION and which are released and distributed by the said FAMOUS PLAYERS LASKY CORPORATION.

That the valuation placed upon said assets hereinabove set forth, is the actual cost price of said property to the corporation.

That the good will of the said CECIL B. deMILLE PRODUCTIONS, and the value of the said contracts hereinbefore described, and the other intangible assets of the said CECIL B. deMILLE PRODUCTIONS, all of which are being transferred to said corporation by the said CECIL B. deMILLE PRODUCTIONS, a co-partnership, are of the value in excess of One Hundred and Fifty Thousand Dollars ($150,000.00).

VI.

That the said CECIL B. deMILLE PRODUCTIONS is owned by the following persons, in the following proportions to wit: CECIL B. deMILLE owns a forty-five percent (45%) interest therein; CONSTANCE A. deMILLE owns a twenty-five percent (25%) interest therein; ELLA KING ADAMS owns a twenty percent (20%) interest therein; NEIL S. McCARTHY owns a ten percent (10%) interest therein.

VII.

That the total value of all of the assets, including the contracts hereinbefore described, and the goodwill of the said CECIL B. deMILLE PRODUCTIONS, a co-partnership, is of the value of at least Four Hundred Thousand Dollars ($400,000.00).

VIII.

That upon the issuance of a permit by the Commissioner of Corporations of the State of California pursuant hereto, the present Board of Directors of

said corporation will resign, and the Directors and officers of said corporation will be composed of the following persons, who will be elected in the place and stead of those now acting, and whose names, addresses, investment [1027] in the company and business experience is as follows:

CECIL B. deMILLE—President and Director.

ADDRESS—Famous Players Lasky Studios, Hollywood, California.

INVESTMENT IN COMPANY—Forty-five per cent (45%) of the issued capital stock, minus one share.

BUSINESS EXPERIENCE—Theatrical experience as actor and writer for Twenty (20) years and a director and producer of motion pictures for eight (8) years.

CONSTANCE A. deMILLE—Vice President and Director.

ADDRESS—Famous Players Lasky Studios, Hollywood, California.

INVESTMENT IN COMPANY — Twenty-five per cent (25%) of the issued capital stock.

BUSINESS EXPERIENCE—Actress and theatrical experience for ten years (10 yrs.). Chairman of Executive Committee of CECIL B. deMILLE PRODUCTIONS, a co-partnership for approximately two years.

ELLA KING ADAMS—Second Vice President and Director.

ADDRESS—Famous Players Lasky Studios, Hollywood, California.

INVESTMENT IN COMPANY—Twenty percent (20%) of the issued capital stock.

BUSINESS EXPERIENCE—Writer and script reader and general motion picture experience for approximately two years.

JOHN H. FISHER—Director and Treasurer.

ADDRESS—Famous Players Lasky Studios, Hollywood, California.

INVESTMENT IN COMPANY—One share of the issued capital stock.

BUSINESS EXPERIENCE—Director of Southern California Edison Company, and of First National Bank of Redlands for more than five years and production manager of CECIL B. deMILLE PRODUCTIONS for past eighteen months. [1028]

NEIL S. McCARTHY—Director and Secretary.

ADDRESS—504 Pacific Finance Building, Los Angeles, California.

Investment in COMPANY—Ten percent (10%) of the issued capital stock.

BUSINESS EXPERIENCE—Attorney at law for past twelve years. Director of Commercial National Bank of Los Angeles.

IX.

That the stock of said corporation will be owned by the present partners of the above mentioned partnership in the same proportion that the said partners own the respective interests in said partnership, except that JOHN H. FISHER will own

a qualifying share of stock in said corporation, which will be taken from the capital stock of the said CECIL B. deMILLE.

X.

That a full statement of the nature of the business to be operated and conducted by the said corporation is set forth in paragraph II of the Articles of Incorporation, a copy of which Articles is hereunto annexed and marked Exhibit "A" as aforesaid.

XI.

A copy of the form of stock certificate proposed to be used by this corporation is filed herewith, attached hereto and marked Exhibit "D".

XII.

No commission or brokerage will be paid in connection with the issue of any of the securities, for the issuance of which permission is hereby sought.

XIII.

No business has been transacted by the corporation except as herein set forth.

An itemized account of the financial condition of [1029] the corporation, and the amount and character of the assets and liabilities is as follows:

ASSETS: Subscriptions of organizers of corporation amounting to Five Hundred Dollars ($500.00). LIABILITIES: None.

No prospectus or advertisement or any other description of the securities of this corporation has been prepared by or for it for distribution or publication.

XIV.

The required filing fee of One Hundred Twenty Five Dollars ($125.00) is remitted herewith.

WHEREFORE, the said corporation requests that the Commissioner of Corporations issue his permit under the said Corporate Securities Act, authorizing the issuance of Four Thousand (4,000) shares of the capital stock of this corporation, which said Four Thousand (4,000) shares, shall include the five (5) shares subscribed for by the organizers of the corporation, for the considerations hereinbefore set forth, to the persons composing the said Cecil B. de Mille Productions, a co-partnership, in the following amounts, and to the organizers of the corporation, as follows, to wit:

TO CECIL B. deMILLE	1,800 Shares
" CONSTANCE A. de MILLE	1,000 Shares
" ELLA KING ADAMS	800 Shares
" NEIL S. McCARTHY	395 Shares
" E. J. NOLAN	1 Share
" C. M. SHARP	1 Share
" R. M. KEARY	1 Share
" G. G. WELLMAN	1 Share
" HERBERT FRESTON	1 Share
making a total of	4,000 Shares.

Respectfully submitted,
CECIL B. deMILLE PRODUCTIONS, INC.
E. J. NOLAN (signed)
President.
R. M. KEARY (signed)
Secretary. [1030]

State of California
County of Los Angeles—ss.

E. J. NOLAN and R. M. KEARY being first duly sworn, depose and say: That they are the President and Secretary and Treasurer respectively of the CECIL B. deMILLE PRODUCTIONS, INC., a corporation, the applicant in the foregoing application; that they have read said application and know the contents thereof; That the statements in said application contained are true of their own knowledge except as to those matters which are therein stated upon their information and belief, and as to those matters they believe it to be true.

E. J. NOLAN (signed)
President
R. M. KEARY (signed)
[Seal] Secretary & Treasurer.

SUBSCRIBED AND SWORN TO BEFORE ME, this 28 day of June, 1922.

NEIL S. McCARTHY (signed)
Notary Public in and for the County of Los Angeles, State of California. [1031]

PETITIONER'S EXHIBIT 16

CECIL B. DEMILLE PRODUCTIONS, INC.

ROYALTY ACCOUNT PER STATEMENT FROM FAMOUS PLAYERS LASKY CORP., PATHE EXCHANGE, INC., CINEMA CORP. OF AMERICA, METRO-GOLDWYN-MAYER CORP.

Date Released	(Personally Directed by C. B. deM.)		Royalties Accrued 1926		Royalties Accrued 1927		Royalties Accrued 1928	
1921	AFFAIRS OF ANATOL		246,783.37		247,459.05		247,553.09	
1922	SATURDAY NIGHT		150,528.95		150,659.70		150,655.18	
"	FOOL'S PARADISE		180,494.34		181,036.86		181,039.87	
"	MANSLAUGHTER		248,244.69		249,583.27		250,331.15	
1923	ADAM'S RIB		175,185.34		175,906.41		175,963.99	
1924	TRIUMPH		129,686.93		132,236.14		132,868.32	
"	FEET OF CLAY		166,208.98		173,314.41		174,195.21	
1925	GOLDEN BED		141,666.25		153,615.00		154,982.50	
1923	THE TEN COMMANDMENTS		837,395.92		868,033.31		871,488.13	
			2,276,194.77		2,331,844.15		2,339,077.44	
	Less Charges	60,411.12						
	Less Royalty Advances to 3/7/25	1,511,439.00	1,571,850.12	1,571,850.12		Less Payments	2,331,844.15	
			704,344.65	704,344.65			7,233.29	
				2,276,194.77		Less Amt. J. M.	182.36	7,050.93
			Australia Tax Accrued to June 30, 1926	15,470.61				
	Payment of excess royalties earned			6,864.23	22,334.84	2,298,529.61	Personally directed by C. B. DeM.	
	to Sept. 26, 1925	310,514.63					THE KING OF KINGS	54,317.59
	to Dec. 26, 1925	351,229.38				33,314.54	Pathe contract for pictures made at deMille Studio, but not personally directed by C. B. deM.:	
	to Mar. 27, 1926	42,600.64	704,344.65	Less Amt. Pd. J. M.		896.24		
	Less royalties paid to J. Macpherson	15,619.79		Net Royalty received by Prods. from F. P. L.		32,418.30	HIS DOG	2,463.46
	Less Amt. Rec'd. and reported in 1925	308,503.03	324,122.82	Pathe contract for pictures made at deMille Studio, but not personally directed by C. B. deM.:			COUNTRY DOCTOR	2,127.51
			380,221.83	COUNTRY DOCTOR	1,929.83		ALMOST HUMAN	1,574.75
1927	Plus royalty accrued to June 30, 1926		6,864.23	FIGHTING EAGLE	1,579.53		ANGEL OF BROADWAY	869.73
				HIS DOG	1,146.58		LEOPARD LADY	1,695.84
	Gross taxable royalties		387,086.06	DRESS PARADE	818.30		MAIN EVENT	1,783.13
				ANGEL OF BROADWAY	659.32		WISE WIFE	1,362.16
				WRECK OF HESPERUS	356.14		FRIEND FROM INDIA	1,409.94
				WISE WIFE	304.45		LET 'ER GO GALLAGHER	1,477.75
				FORBIDDEN WOMAN	264.96		STAND AND DELIVER	1,690.97
				GIRL IN THE PULLMAN	240.18		BLONDE FOR A NIGHT	1,088.38
				MAIN EVENT	179.88		FIGHTING EAGLE	3,308.42
				RUSH HOUR	17.03		DRESS PARADE	4,271.57
				ALMOST HUMAN	16.18	7,512.38	WRECK OF THE HESPERUS	1,638.62
1928				Gross Taxable Royalties 1927		39,930.68	BLUE DANUBE	2,070.44
							FORBIDDEN WOMAN	2,326.75
							CHICAGO	4,906.88
							SKYSCRAPER	2,303.84
							MIDNIGHT MADNESS	922.44
							HOLD 'EM YALE	2,237.58
							SHIP COMES IN	861.91
							WALKING BACK	1,140.90
							THE COP	1,155.63
							TENTH AVENUE	755.91
							MAN MADE WOMAN	632.88
							SIN TOWN	.13
							LOVE OVER NIGHT	55.57
							SAL OF SINGAPORE	.12 47,203.21
1929							Gross Taxable Royalties 1928	108,571.73
	M. G. M. advance royalty DYNAMITE—personally directed by C. B. deM.							50,000.00 158,571.73

CECIL B. DEMILLE PRODUCTIONS, INC.

ROYALTY ACCOUNT PER STATEMENT FROM FAMOUS PLAYERS LASKY CORP., PATHE EXCHANGE, INC., CINEMA CORP. OF AMERICA, METRO-GOLDWYN-MAYER CORP.—(Continued)

Date Released	(Personally directed by C. B. deM.)	Royalties Accrued 1929	Royalties Accrued 1930
1921	AFFAIRS OF ANATOL	247,572.82	247,581.94
1922	SATURDAY NIGHT	150,654.54	150,654.54
	FOOL'S PARADISE	181,040.94	181,043.94
	MANSLAUGHTER	250,562.72	250,576.32
1923	ADAM'S RIB	175,966.50	175,966.50
1924	TRIUMPH	133,098.67	133,140.93
	FEET OF CLAY	174,746.32	174,980.50
1925	GOLDEN BED	155,309.42	155,427.53
1923	TEN COMMANDMENTS	873,478.00	873,962.03
		2,342,429.93	2,343,334.23
	Less Advances to date	2,339,077.44	2,342,429.93
		3,352.49	904.30
	Less J. Macpherson's %		24.99 879.31

	Plus Australia Tax	14,418.31	
	Less Reserve	433.31	13,984.52
			17,337.01
	Royalties received less J. Macpherson		799.48
	Net received from F. P. L.		16,537.43
1927	Personally directed by C. B. deM.—KING OF KINGS	62,438.34	
1928	GODLESS GIRL	174,394.45	236,832.79

Personally directed by C. B. deM. KING OF KINGS 3,515.13
GODLESS GIRL 32,903.28

Pathe contract for pictures made at deMille Studio, but not personally directed by C. B. deM.:

1927	HIS DOG	936.37	
	COUNTRY DOCTOR	1,151.01	
	ALMOST HUMAN	673.96	
	ANGEL OF BROADWAY	147.44	
	LEOPARD LADY	549.52	
	MAIN EVENT	300.70	
	WISE WIFE	224.35	
	FRIEND FROM INDIA	427.41	
	LET 'ER GO GALLAGHER	1,125.39	
	STAND AND DELIVER	744.32	
	BLONDE FOR A NIGHT	441.14	
	FIGHTING EAGLE	496.79	
	DRESS PARADE	1,919.90	
	WRECK OF THE HESPERUS	858.67	
	BLUE DANUBE	857.78	
	FORBIDDEN WOMAN	1,341.70	
	CHICAGO	2,855.70	
1928	SKYSCRAPER	1,458.09	
	MIDNIGHT MADNESS	444.90	
	HOLD 'EM YALE	1,468.91	
	SHIP COMES IN	876.29	
	WALKING BACK	536.89	
	THE COP	2,597.14	
	TENTH AVENUE	2,472.22	
	MAN MADE WOMAN	981.18	25,887.77
			279,258.09
	Royalty book rights DYNAMITE		250.00
	Total royalties reported		279,508.09
1929	M. G. M. advance royalty DYNAMITE		100,000.00
1930	M. G. M. advance royalty MADAM SATAN		50,000.00
	Gross taxable royalties received 1929		429,508.09

Pathe contract for pictures made at deMille Studio, but not personally directed by C. B. deM.:

	HIS DOG	30.82	
	COUNTRY DOCTOR	100.61	
	ALMOST HUMAN	36.61	
	ANGEL OF BROADWAY	7.93	
	LEOPARD LADY	67.16	
	MAIN EVENT	31.74	
	WISE WIFE	18.13	
	FRIEND FROM INDIA	44.44	
	LET 'ER GO GALLAGHER	100.78	
	STAND AND DELIVER	60.04	
	BLONDE FOR A NIGHT	32.27	
	FIGHTING EAGLE	62.93	
	DRESS PARADE	183.38	
	WRECK OF THE HESPERUS	158.96	
	BLUE DANUBE	47.73	
	FORBIDDEN WOMAN	224.61	
	CHICAGO	169.49—	
	SKYSCRAPER	341.55	
	MIDNIGHT MADNESS	38.41	
	HOLD 'EM YALE	128.53	
	SHIP COMES IN	106.59	
	WALKING BACK	42.99	
	THE COP	1,045.15	
	TENTH AVENUE	795.29	
	MAN MADE WOMAN	109.41	3,646.57 40,064.98
	1930 M. G. M. advance royalty on MADAM SATAN personally directed by C. B. deM.		125,865.00
	1931 M. G. M. advance ropalty on SQUAW MAN personally directed by C. B. deM.		50,000.00
	Gross taxable royalties received 1930		216,809.29

PETITIONER'S EXHIBIT 17.

[Endorsed]: Admitted in evidence Dec. 16, 1933.

THIS AGREEMENT made by and between CECIL B. DE MILLE PRODUCTIONS, INC., and CECIL B. DE MILLE, of Los Angeles, California, and CINEMA CORPORATION OF AMERICA, a Delaware Corporation, (hereinafter called "Cinema"),

WITNESSETH:

FIRST: Cecil B. deMille Productions, Inc., and Cecil B. deMille, the director of the production entitled "THE KING OF KINGS," which is owned by Cinema and the direction of which has been completed by Cecil B. deMille, hereby agree to deliver to Cinema on or before April 14th, 1927, at #1560 Broadway, New York City, two (2) complete and assembled negatives, being all of the negatives of such production, of the production entitled, "THE KING OF KINGS," and two (2) sample prints conforming to such negatives.

SECOND: Cinema, in consideration of such delivery, agrees to pay or cause to be paid to Cecil B. deMille Productions, Inc., five per cent (5%) of the gross receipts of the motion picture production, entitled "THE KING OF KINGS," until there shall have been paid to Cinema by the distributor for the time being, or from time to time of such production, or otherwise, from sixty percent (60%) of the gross receipts arising from all of the productions including "THE KING OF KINGS" named in and covered by a certain form of distribution contract

between Pathe Exchange, Inc., and Cinema and others annexed to the plan of recapitalization, etc., of Pathe Exchange, Inc., dated March 9, 1927, amounts sufficient to make payments as follows: [1034]

(1) To owners of productions comprising "A", "B" and "D" product (as such product is defined in such distribution contract) as required under contracts between each such owner or owners and Cinema or W. W. Hodkinson Corporation.

(2) To Motion Picture Capital Corporation in satisfaction of the principal amount of Cinema's present indebtedness to it and additional advances to be made by Motion Picture Capital Corporation with respect to Series "D" and "E" product (as such product is defined in such distribution contract).

(3) To Motion Picture Capital Corporation in satisfaction of interest and net cost of financing as required under contracts between it and Cinema with respect to present indebtedness and indebtedness to be incurred under the next preceding paragraph (2) above.

(4) To Theodore Schulze & Co., in satisfaction of the present principal amount of Cinema's indebtedness to it and additional advances that it may make to Cinema from date hereof to cover cost of completion of "D" and "E" product (above referred to) and "THE KING OF KINGS" with interest on all such advances as provided in existing contracts.

(5) To the Chase National Bank of the City of New York, in satisfaction of the principal amount of Cinema's indebtedness to it which now amounts to $1,900,000. with interest accrued and accruing thereon at six per cent (6%) per annum until paid.

(6) To the Bowery & East River National Bank and Consolidated Film Industries, Inc., of sums advanced by them to Cinema on account of the cost of producing "NO CONTROL" and "THE NERVOUS WRECK" respectively with interest on such advances and balances thereof at six per cent (6%) per annum.

(7) To Pathe sums equal to that part of Pathe Exchange, Inc's advances to the deMille-Metropolitan Studios which under existing agreement dated March 16, 1927, is to be paid by Cinema and to Pathe or to any other Distributor for the time being or from time to time sums sufficient to cover costs of prints and advertising of product including "THE KING OF KINGS" to be distributed by Pathe under such distribution contract. [1035]

It is understood that the payments set forth may be made to the present holders of obligations of Cinema as above set forth or their assigns or successors in interest.

After all of the above shall have been paid to Cinema, Cinema will then pay or cause to be paid to Cecil B. deMille Productions, Inc., sixty-five per cent (65%) of the gross receipts of the production entitled "THE KING OF KINGS," less, however, any sums to be recouped therefrom on account of

additional prints or advertising payable after said date and continue to make such payments until fifty-five per cent (55%) of gross receipts of "THE KING OF KINGS" arising thereafter and paid to Cecil B. deMille Productions, Inc., equal the amount paid to Cecil B. deMille Productions, Inc., on said five per cent (5%) basis before the turning point is reached, and thereafter to pay to Cecil B. deMille Productions, Inc., ten per cent (10%) of the gross receipts throughout the life of the picture.

THIRD: Gross receipts as used in this agreement shall mean: Gross receipts as defined in the form of contract with Pathe Exchange, Inc., hereinbefore referred to and as defined in the existing contract with Producers International Corporation, but shall in any event include all gross receipts payable to Cinema Corporation.

FOURTH: The amount to be paid to Cecil B. deMille Productions, Inc., as herein provided for shall be paid to it directly by the Distributor, for the time being of said motion picture, "THE KING OF KINGS," and Cinema does hereby assign, set over and transfer unto the said Cecil B. deMille [1036] Productions, Inc., the amounts of receipts of said picture herein provided to be paid to the said Cecil B. deMille Productions, Inc., and does hereby instruct the said Distributor to so pay the same to Cecil B. deMille Productions, Inc., as and when the same are payable to Cinema under any contract for distribution and in addition thereto to furnish to the said Cecil B. deMille Productions, Inc., duplicate

copies of all reports and statements covering the said production and the receipts thereof required to be furnished to Cinema Corporation under any such distribution contract.

FIFTH: Cinema does hereby sell, assign, convey, transfer and set over to Cecil B. deMille Productions, Inc., forever, an undivided one-tenth interest in said production "THE KING OF KINGS" and in the story and motion picture rights upon which the same is based, such conveyance being made subject, however, to a mortgage now held by Theodore Schulze & Co., Inc., covering said picture, and subject to the application of earnings therefrom as herein provided for.

Cecil B. deMille Productions, Inc., agrees to and does hereby appoint Cinema Corporation of America, its successors and assigns, his attorney and agent at all times to make any distribution contract for the distribution of said production, on terms not less favorable than those contained in contemplated contract with Pathe Exchange, Inc., and the [1037] existing contract with Producers International Corporation.

IN WITNESS WHEREOF, the parties hereto have caused these presents to be duly executed this 26th day of March, 1927.

CECIL B. deMILLE PRODUCTIONS, INC.,
By: NEIL S. McCARTHY,
CECIL B. deMILLE,
By: NEIL S. McCARTHY,
his attorney in fact.
CINEMA CORPORATION OF AMERICA,
By OSCAR M. BATE, Sec'y.

The undersigned, CECIL B. DE MILLE PRODUCTIONS, INC., B. F. KEITH CORPORATION, F. H. BROWNELL and THE REALTY AND SECURITIES CORPORATION, being all of the stockholders of CINEMA CORPORATION OF AMERICA, do and each of them does hereby consent to the execution of the foregiong agreement and has approved and does hereby register his or its approval.

CECIL B. DE MILLE PRODUCTIONS, INC.,
By: NEIL S. McCARTHY.
CECIL B. DE MILLE,
By: NEIL S. McCARTHY.
B. F. KEITH CORPORATION,
By: E. G. LAUDER, JR.
THE REALTY & SECURITIES CORPORATION
(Sgd) By: FREDERICK H. BROWNELL.
" FREDERICK H. BROWNELL.

O K
M. G.

(Above is in pencil by Mr. Goodman, the attorney.) [1038]

AGREEMENT made this 18th day of March, 1932 by and between CECIL B. DeMILLE PRODUCTIONS, INC., a California Corporation and CECIL B. DeMILLE of Los Angeles, California, parties of the first part, and CINEMA CORPO-

RATION OF AMERICA, a Delaware corporation (hereinafter called "Cinema"), party of the second part,

WITNESSETH:

WHEREAS, the parties hereto have heretofore entered into a certain agreement in writing dated March 26, 1927 with respect to a certain motion picture production entitled "THE KING OF KINGS", and

WHEREAS, under the said agreement there has heretofore been paid by Cinema to Cecil B. DeMille Productions, Inc. the sum of One Hundred Twenty Thousand Two Hundred Seventy-one Dollars and Six Cents ($120,271.06), and

WHEREAS, a dispute has arisen between the parties hereto with respect to the liability of Cinema to pay to Cecil B. DeMille Productions, Inc. any further sums under said contract, and

WHEREAS, the parties desire to settle the differences which have arisen between them with respect to their rights under said contract and to make certain amendments thereto,

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

FIRST: Cecil B. DeMille Productions, Inc. and Cecil B. DeMille acknowledge that there has been paid by Cinema to Cecil B. DeMille Productions, Inc. prior to the date hereof the sum of One Hundred Twenty Thousand Two Hundred Seventy-one Dollars and Six Cents ($120,271.06) being payment in full of all sums accruing to Cecil B. [1039] DeMille Productions, Inc. from gross collections from

the said production entitled "THE KING OF KINGS" under said agreement of March 26, 1927 for the period ended April 19, 1930.

SECOND: Cinema agrees to pay to Cecil B. DeMille Productions, Inc. upon the execution and delivery of this agreement the sum of $5,780.51, the receipt whereof is hereby acknowledged, being payment in full of all sums payable to said Cecil B. DeMille Productions, Inc. on account of gross collections from "THE KING OF KINGS" from Apr. 19, 1930 to Jan. 2, 1932, pursuant to said agreement of Mar. 26, 1927 and Cinema agrees to continue to make payments to Cecil B. DeMille Productions, Inc. hereafter of such sums as may be payable to it under the terms of said agreement of Mar. 26, 1927 by reason of gross collections from "THE KING OF KINGS" arising after Jan. 2, 1932 and for so long as either Cinema or Theodore Schulze & Co. Inc. shall be the owners of said picture and upon the outright sale of said picture, to pay to Cecil B. DeMille Productions, Inc. five percent (5%) of the gross amount received by Cinema or Theodore Schulze & Co. Inc. upon such sale, it being obvious to the parties hereto that the conditions expressed in said agreement of Mar. 26, 1927 upon which said Cecil B. DeMille Productions, Inc. would receive ten percent (10%) of the gross receipts of said picture can never be met. There is annexed hereto a schedule showing gross collections from "THE KING OF KINGS" and payments to Cecil B. DeMille Productions, Inc. under said agreement of March 26, 1927.

THIRD: The said agreement of Mar. 26, 1927 is hereby amended by striking out the second paragraph of Article Fifth thereof and substituting therefor the following:

"Cecil B. DeMille Productions, Inc. and [1040] Cecil B. DeMille agree to and do hereby appoint Cinema Corporation of America, its successors and assigns, its and his attorney and agent at all times to make any distribution contract for the distribution of said production entitled 'The King of Kings' or any contract or agreement for the sale or other disposition of the said production or of any rights of any nature and kind in the said 'The King of Kings' and at any time to cancel, terminate or change any contract now in existence or which may hereafter be made with respect to the distribution, sale, exploitation or other turning to account of the said 'The King of Kings' or any rights therein."

IN WITNESS WHEREOF, the parties have caused these presents to be duly executed the day and year first above written.

CECIL B. DeMILLE PRODUCTIONS, INC.
BY CECIL B. deMILLE
President
CECIL B. deMILLE (L. S.)
CINEMA CORPORATION
OF AMERICA
By N. P. RATHOON
President. [1041]

"KING OF KINGS" COLLECTIONS

Domestic	$1,667,000.36	$ 25,660.03	$1,692.660.39
Canada	67,956.12	4,591.51	72,547.63
Foreign	700,480.91	85,476.39	785,957.30
	$2,435,437.39	$115,727.93	$2,551,165.32
Less Road-show losses	30,016.12	117.76	30,133.88
	$2,405,421.27	$115,610.17	$2,521,031.44

5%	$ 126,051.57
Previously paid	120,271.06
Payable to Cecil B. DeMille Productions, Inc.	5,780.51

[1042]

[Title of Court and Cause.]

PRAECIPE FOR RECORD.

To the Clerk of the United States Board of Tax Appeals:

You will please prepare, transmit and deliver to the Clerk of the United States Circuit Court of Appeals for the Ninth Circuit, copies duly certified as correct of the following documents and records in the above-entitled cause in connection with the petition for review by the said Circuit Court of Appeals for the Ninth Circuit, heretofore filed by the Commissioner of Internal Revenue:

1. Docket entries of the proceedings before the Board.
2. Pleadings before the Board,
   (a) Petitions, including annexed copies of deficiency letters.
   (b) Answers.
   (c) Amendments to petitions.
3. Stipulation filed December 20, 1933.
4. Stipulation filed April 23, 1934.
5. Taxpayer's Exhibits 1 to 17, inclusive.
6. Commissioner's Exhibits "A" to "J", inclusive.
7. Findings of fact, opinion and decision of the Board. [1043]
8. Notices of settlement filed by taxpayer and the Commissioner, respectively, under Rule 50 of the Board's Rules of Practice.
9. Petition for review, together with proof of service of notice of filing petition for review and of service of a copy of petition for review.
10. Statement of the evidence as settled and allowed.
11. Orders enlarging time for the preparation of the evidence and for transmission and delivery of the record not included in record.
12. This praecipe.

(Signed) HERMAN OLIPHANT
General Counsel for the
Department of the Treasury.

Service of a copy of the within praecipe is hereby admitted this 17 day of January, 1936.

(Signed) THOMAS R. DEMPSEY
(Signed) A. CALDER MACKAY
Attorneys for Respondent.

tco
1-7-36

[Endorsed]: Filed Jan. 24, 1936. [1044]

[Title of Court and Cause.]

CERTIFICATE.

I, B. D. Gamble, clerk of the U. S. Board of Tax Appeals, do hereby certify that the foregoing pages, 1 to 1044, inclusive, contain and are a true copy of the transcript of record, papers, and proceedings on file and of record in my office as called for by the Praecipe in the appeal (or appeals) as above numbered and entitled.

In testimony whereof, I hereunto set my hand and affix the seal of the United States Board of Tax Appeals, at Washington, in the District of Columbia, this 9th day of March, 1936.

[Seal] B. D. GAMBLE
Clerk, United States
Board of Tax Appeals

[Endorsed]: No. 8144. United States Circuit Court of Appeals for the Ninth Circuit. Commissioner of Internal Revenue, Petitioner, vs. Cecil B. deMille Productions, Inc., Respondent. Transcript of the Record Upon Petition to Review an Order of the United States Board of Tax Appeals.

Filed March 13, 1936.

PAUL P. O'BRIEN,

Clerk of the United States Circuit Court of Appeals for the Ninth Circuit.